EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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WORLD NEWS

Soviet Union lets robbers fly to Israel

The Soviet Union allowed five armed robbers to fly out of the country to Tel Aviv, Israel. In return, the robbers freed a busload of school children hijacked in southern Russia.

The four men and a woman surrendered to Israeli troops and police soon after landing and handed over guns and a large sum of money stolen in the Soviet Union.

The release of the hijackers is seen as a softening of the Kremlin's usual policy and was criticised by Israel. Page 3

Judge Cassel resigns

A judge who angered MPs and child protection groups by linking a man's sexual assault on his stepdaughter to the pregnancy of the defendant's wife resigned. Sir Harold Cassel, 72, gave ill health as the reason. He was due to retire next June.

Police shoot gunman

Police shot and injured a gunman who held a passer-by hostage for three hours in the Trafalgar Square area of London. His handgun was later found to be a replica.

Drugs barons jailed

Three Columbian drugs barons who helped smuggle £4m of cocaine into Britain were jailed. Two were recommended for deportation and an order made for two to pay back £10,000 each from drug profits.

Anti-terrorism call

European Parliament president Lord Plumb called for greater anti-terrorist co-operation between EC countries.

West Germans cut dole

The West German parliament has approved cuts in the country's deficit-ridden unemployment benefit scheme, which should save the government DM1.3bn a year.

Brazil ecology plan

The World Bank withheld a $500m loan to Brazil until talks on Indians and ecology were agreed.

Space shuttle launched

The US space shuttle Atlantis was launched at the second attempt in two days. The shuttle's mission is to deploy a $500m dollar spy satellite.

India-Pakistan 'harmony'

India's expulsion of Pakistan's senior defence attaché on spying charges was played down by both countries. Meanwhile, Indian Prime Minister Rajiv Gandhi sent a letter of congratulation to Benazir Bhutto, Pakistan's new Prime Minister, which officials say could begin a new era of harmony between the two countries.

South Africa frees editor

South Africa released newspaper editor Zwelakhe Sisulu who had been detained for two years without trial, but he was placed under severe restrictions. Page 3

Iran attacks interview

Iran said a British radio interview with the son of the late Shah of Iran could jeopardise moves to full diplomatic ties between Tehran and London.

Public information move

The Government is planning new powers to allow the public more access to information about nuclear incidents and the environment.

Oil found off south coast

BP and its partners announced a significant oil discovery off the south coast of England, at Poole.

Azeri attack halted

Soviet troops dispersed a crowd of 1,500 Azeris trying to attack Armenians in the Azerbaijani capital Baku.

Hungarians moonlight

Six out of ten Hungarian workers have second jobs or work privately. In the Soviet Union the figure is about four in ten.

BUSINESS SUMMARY

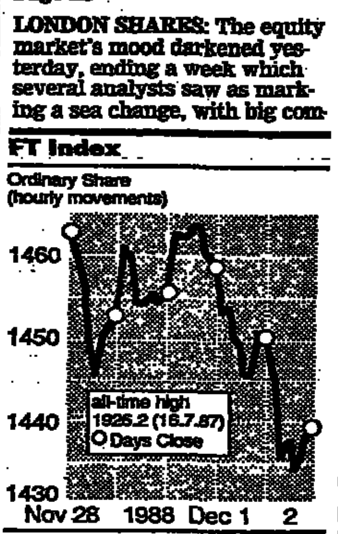
US bond prices tumble

BOND prices tumbled in New York yesterday with the news that US employment had risen sharply in November. In reaction, the key long bond fell 1¼ points to 98⅞ to yield 9.143 per cent in early trading as the markets braced themselves for tighter monetary policy. Page 22

LONDON SHARES: The equity market's mood darkened yesterday, ending a week which several analysts saw as marking a sea change, with big companies admitting they had entered a difficult trading period. The FT Ordinary index lost 10.5 points yesterday to finished at 1,439.7, 22.9 points lower over the week. Page 15

FT Index

Ordinary Share (hourly movements)



DREXEL Burnham Lambert, the Wall Street investment bank fighting criminal racketeering charges, promised to lend up to $3.5bn (£1.9bn) for the RJR Nabisco takeover. The bridging loan forms part of a $25bn financing package unveiled by bid victor Kohlberg Kravis Roberts. Page 22

THE UK's current account will be more than £12bn in deficit next year, while inflation will fall and economic growth will slow, says a Treasury average of independent forecasts. Page 4

LONRHO won High Court leave to seek a judicial review of the decision by Trade and Industry Secretary Lord Young not to refer the Al Fayed brothers' purchase of House of Fraser to the Monopolies and Mergers Commission. Page 22

SAUL STEINBERG, chairman of Reliance Group Holdings, who became famous for his corporate raids, may return to the takeover trail with a bid for US air cargo group Tiger International. Page 11

LLOYDS BANK is shedding 38 management posts and 48 clerical jobs in its 400-strong London international banking department to cut costs. Page 4

BANK of AMERICA, the West Coast bank, is closing its London Eurobond operation and up to 50 jobs will go. Page 4

COMMERZBANK of West Germany is taking a 40 per cent stake in Leonberger Bausparkasse, one of the country's leading mortgage savings companies. Page 10

PETROLEOS de Venezuela, the country's national oil company, is to set up a joint venture with Unocal Corporation of the US to own and operate petrol refining and distribution in 12 states of the US. Page 11

ARGENTINA's plan to sell 40 per cent of its national airline Argentinas Aerolineas to Scandinavian Airline Systems seems certain to fail because of political opposition from Peronist senators

YEOMAN International, Irish-based private asset finance company, has made an agreed 288m cash offer for CLF Holdings, a UK leasing group. Page 8

BETACOM shares being offered by industrial holding group Cannon Street Investments failed to attract investors and 37 per cent of the issue was left with the sub-underwriters. Page 8

British Steel offer is heavily oversubscribed after last-minute rush

By Philip Coggan

BRITISH STEEL'S £2.5bn offer-for-sale closed substantially oversubscribed yesterday, despite the gloomy stock market conditions. Indications were that about 600,000 individuals had applied for more than 1bn shares, compared with the 452m initially available under the UK public offer.

The success of the issue will come as a great relief to the Government and its advisers, Samuel Montagu. Earlier in the week it seemed as though October's record trade deficit, which triggered a rise in base rates, would discourage investors from applying.

The FT-SE 100 index fell a further 13.7 points yesterday to 1765 and has now fallen 4 per cent in the last eight days.

Investors seemed to have followed press advice to wait until the last minute before applying for shares, since about 400,000 applications were made in the last two days. Many of the people handing in last-minute applications at Lloyds Bank's Bishopsgate branch yesterday said they had decided to invest only after watching Thursday night's television news.

The excess demand for steel shares triggers the issue's two "clawback" provisions, under which shares are deducted from the overseas and UK institutional offers to satisfy private investor demand.

Lord Young, the Secretary for Trade and Industry, described the issue as "a great success" yesterday. "The public and the institutions have given the offer the vote of confidence that it always deserved" he added.

However, expectations of the premium on Monday, when trading in the shares starts, are still limited. IG Index, which is making a book on the price at Monday's close, was last night quoting a spread of 64¾p-66p, compared with a *first instalment price of 60p.*

If prices do close at 64½p, a small investor receiving the minimum allocation of 400 shares would make a 75p profit, assuming dealing costs of £15 plus VAT.

However, many small investors are believed to have been attracted by the high dividend yield on the shares, rather than a quick profit. The gross dividend yield on the fully paid shares is 8 per cent, rising to more than 16 per cent of the first instalment.

Mr Robert Hutchings, an old age pensioner who handed in his application yesterday, said he was a long-term investor. He added that he had applied for most privatisation issues, but not last year's BP offer, which was sabotaged by the stock market crash. He had waited this time to make sure there was no repetition of Black Monday.

Mr Hutchings was one of a steady trickle of people who filed into Lloyds Bishopsgate branch yesterday morning. A queue rarely formed even inside the receiving bank office, and staff said the rush was well down on previous privatisations. A total of 600,000 applicants would still be much lower than all previous privatisation offers, except for the crash-affected BP.

Even though the stock market had been plagued by rumours that the British Steel offer could flop, it failed to recover significantly on news of its success. Traders said the market was still depressed by the trade figures and by news from companies such as Next that profits were falling because of a slow-down in the consumer boom.

The success of the British Steel offer was highlighted by two other new issues.

Over a third of the shares offered in Betacom, the telephone equipment company, were left with the sub-underwriters while a planned placing for Europa Minerals, a mining company, was postponed yesterday.

Son of Sid comes of age, Page 6; Stock market report, Page 15; Lex, Page 22

Ryan extradition row overshadows Rhodes summit

From David Buchan and Tim Dickson in Rhodes

A BITTER row between Britain and two of its EC partners overshadowed the start of yesterday's European summit in Rhodes.

Mrs Margaret Thatcher, the British Prime Minister, and Mr Wilfried Martens, the Belgian Premier, clashed over Belgium's refusal to extradite Mr Patrick Ryan to face terrorist charges in the UK.

The British leader told Mr Martens she was "mystified and deeply wounded" by his Government's behaviour, and rejected his claim that the decision on Mr Ryan was made on purely legal grounds.

Anglo-Belgian relations were described by British officials as being dented.

The issue of European anti-terrorist co-operation appeared likely to be a key theme during the summit. The question of how crime is controlled if and when intra-EC border checks are removed is one of the most sensitive issues in the Community's *internal market* programme, which EC leaders reviewed yesterday.

Mrs Thatcher is expected to clash with another EC partner when she meets Mr Charles Haughey, the Irish Prime Minister, late today. Her Government is now seeking the return of Mr Ryan, a former priest, from the Irish Republic.

Faced in his turn with a UK extradition request for Mr Ryan, the Irish leader postponed "for reasons of personal convenience" a meeting with Mrs Thatcher, which UK officials had expected yesterday.

On arrival in Rhodes Mr Haughey voiced what he called his country's resentment of British criticism. However, in the past 24 hours his Attorney-General has sought clarification of the UK extradition request.

Mr Martens, once considered reasonably close to Mrs Thatcher, was equally categorical in defence of his Cabinet's action. He insisted the UK extradition request was turned down on legal, not political, grounds. He pointed out that in 1984 Belgium had extradited two suspected Basque terrorists for trial in Spain, and said that Mr Ryan would have been extradited similarly "had the papers been correct."

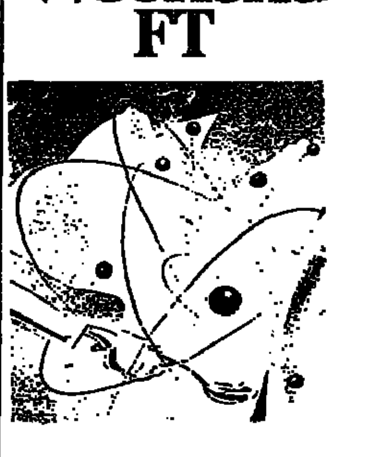
Mrs Thatcher replied that she was mystified about how "a non-legally qualified Cabinet could take decisions on legal grounds." She repeated the British belief, apparently based on local press reports, that the Belgian Cabinet had overruled the secret legal opinion of its Supreme Court.

She said she was wounded by the contrast between Belgian government behaviour and that of the UK, which had provided every assistance in extraditing from the UK those charged after the 1985 Heysel football tragedy in Brussels.

Earlier she met her closest EC ally, Mr Ruud Lubbers, the Dutch Prime Minister. She did not raise her dispute concerning his fellow Benelux leader, but they discussed border controls.

Continued on Page 22
Change of tack on tax harmonisation, Page 2

Weekend FT



Argentine soldiers stage third mutiny in 18 months

By Gary Mead in Buenos Aires

ARGENTINA faced its third and most serious military rebellion in 18 months yesterday, when disgruntled middle ranking and junior army officers put forward a series of demands for improved conditions.

President Raul Alfonsin was said to be planning to cut short his visit to the US to deal with the mutiny. He was due to speak at the United Nations in New York and, later yesterday, to meet President-elect George Bush in Washington.

The latest uprising broke out in Buenos Aires' *Infantry Training School* and then spread to Argentina's largest military prison. Late yesterday troops loyal to General Dante Carridi, Army chief of staff, were reported by the Defence Ministry to be advancing on the sprawling Campo De Mayo barracks, where the infantry school is housed.

This same barracks was used by rebel troops to stage a brief rebellion in Easter week last year.

The rebels' demands range from improved pay and conditions and more expenditure on equipment to the granting of an amnesty for officers imprisoned or awaiting trial for alleged human rights violations.

Early on Thursday morning, 53 non-commissioned officers from a highly trained élite of the coast guard service in Buenos Aires staged a brief sit-in to protest at a delay in payment of wages for November.

Later they left their barracks and, according to some reports, headed in trucks to an as yet unknown destination.

Events then moved rapidly, following the re-appearance in Argentina of Colonel Mohamed Ali Seineldin. Until Thursday the colonel had been on active service in Panama, where he had been posted after allegations that he had supported the Easter Week rebellion led by Lt Col Aldo Rico.

The latter is now in prison, awaiting trial, and yesterday rebel troops seized control of it. The prison also houses ex-President Jorge Videla.

The two previous rebellions collapsed without serious bloodshed after both the Government and Gen Carridi demonstrated that most of the military and the country were against them.

Col Seineldin has made it known that he has no intention of trying to take power, or of preventing next May's Presidential election.

Senior politicians from both Gen Alfonsin's Radical Party and the Peronist opposition have condemned the rebellion.

Four days ago, Col Seineldin was relieved of his duties by Gen Carridi. Under Argentine army regulations, officers treated in this way have no alternative but to retire from active service after a year without official duties.

BR to supplement pay of staff in Southern Region

By Jimmy Burns, Labour Staff

BRITISH RAIL is to introduce additional regional allowances, travel discounts and performance-related bonuses for more than 20,000 of its staff in a bid to stem a mounting crisis on recruiting and keeping employees in its Southern Region.

BR said the pay supplements – worth between £250 and £1,200 a year and to be paid to staff within a 40-mile radius of Charing Cross – were part of a "necessary campaign to maintain and improve quality of service to the customer." The staff involved are already earning a London allowance.

The payments will start on January 9. They include quarterly payments "subject to satisfactory performance and attendance" to some 800 signals and telecommunications staff whose skills are much in demand in the south-east.

The National Union of Railwaymen, the largest of the rail unions, and Aslef, the train drivers' union, have demanded urgent meetings with BR over the scheme.

The NUR, which is pressing for substantial pay increases *for all low-salaried staff, said*

Continued on Page 22
Rosy vision, Page 4

Short sale attracts 30 responses

By Kevin Brown, Transport Correspondent

THIRTY companies had registered an interest in buying Short Brothers, the state-owned Belfast aerospace manufacturer, when the deadline for initial responses expired yesterday afternoon.

Kleinwort Benson, the merchant bank advising the Government on the sale, received around 15 expressions of interest from UK-based companies, with the rest divided equally between Europe and North America.

The leading potential bidders are General Electric Company, the UK electronics group, and Fokker, the Dutch aerospace manufacturer. Boeing, the US aerospace conglomerate, withdrew before the deadline.

The responses will be sifted by Kleinwort Benson, the Northern Ireland Office and the Short Brothers board, *which is headed by Mr Rodney* Lund.

Some of the responses are said to be entirely speculative, and several are thought unlikely to be backed by sufficient finances or management expertise to succeed.

However, a statement of the company's financial and industrial prospects is expected to be sent to about 15 potential bidders, probably before Christmas.

The companies involved will be expected to register a further response by the end of January, when a shortlist of up to six serious bidders will be *drawn up. They will be sent a* more detailed report on Short Brothers, amounting to a prospectus, which will be followed by detailed negotiations.

The Government is thought to want to dispose of Short Brothers before the end of the financial year, and initial discussions will be for the sale of the company as a single going concern. However, ministers have not ruled out breaking the company into its three divisions – aircraft, missiles and aircraft parts – if a sale has not been been achieved by the end of March.

Mr Lund has led a campaign against a break-up, arguing that the three divisions are closely interrelated and benefit from each other's technical expertise.

The Government is also under pressure from the Short Brothers board to make bids conditional on support for the company's plans for a new 46-50-seat regional airliner, called the FJX, *which could cost up* to £500m to develop.

Several companies, including Messerschmitt-Bolkow-Blohm of West Germany, have been sounded out by Short Brothers as possible collaborators in a joint-venture development of the FJX.

Short Brothers is the biggest employer in Northern Ireland, with a workforce of more than 7,600. Several thousand jobs in supplier companies also depend on it.

MARKETS

STERLING
New York lunchtime:
$1.8585
London:
$1.8585 (1.853)
DM3.21 (same)
FFr10.9725 (10.975)
SFr2.6925 (2.69)
Y222.25 (same)
£ index 78.5 (78.3)

GOLD
New York: Comex Feb
$436.7 (438.6)
London:
$424.75 (423.25)

N SEA OIL (Argus)
Brent 15-day Dec
$14.85 (same)

Chief price changes yesterday: Page 22

DOLLAR
New York lunchtime:
DM1.72875
FFr5.905
SFr1.44725
Y121.375
London:
DM1.729 (1.7325)
FFr5.91 (5.9225)
SFr1.45 (1.452)
Y121.4 (121.6)
$ Index 92.3 (92.2)
Tokyo close: Y121.64

US LUNCHTIME RATES
Fed Funds $8\frac{11}{16}$%
3-mo Treasury Bills:
yield: 8.351%
Long Bond:
$98\frac{15}{32}$
yield: 9.143

STOCK INDICES
FT-SE 100:
1,765 (−13.7)
FT Ordinary:
1,439.7 (−10.5)
FT-A All Share:
917.38 (−0.9)
FT-A long gilt yield index high coupon:
9.33 (9.32)
New York lunchtime:
DJ Ind. Av.
2,098.33 (−3.55)
Tokyo: Nikkei
29,532.25 (−9.21)

LONDON MONEY
3-month interbank:
closing $13\frac{5}{16}$% ($13\frac{9}{32}$)

SELLING PRICE IN IRELAND 80p

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Japan's trade and current account surpluses rise

By Ian Rodger in Tokyo

JAPAN'S current account and trade surpluses rose strongly in October, confirming fears that the downward trend of its surpluses has stopped, at least for the time being.

The current account surplus reached $7.4bn (£4bn), 10 per cent higher than a year earlier, while the trade surplus rose by 17 per cent to $9.1bn.

On a seasonally adjusted basis, the current account surplus has been rising for three months, reaching $6.8bn last month.

The growth of the surpluses was due partly to a strong export performance – exports were up 14.1 per cent year-on-year to $22.9bn – and a surprising weakening in import growth. Imports rose 12.2 per cent to $13.9bn after a rise of 25.6 per cent in September.

The current surplus rose less than the trade surplus, mainly because of a surge in the invisibles deficit, attributable largely to the boom in overseas tourism. Mr Richard Jerram, an economist at brokers Kleinwort Benson in Tokyo, said the slowdown in import growth was due to exceptionally low imports of oil.

"The trend is flat. There is no sign of any improvement in the trade account, and the current account decline could slow next year as the inflow from income from overseas investments increases," Mr Jerram said.

Economists said capital outflows were surprisingly strong in October, considering the weakening of the dollar towards the end of the month. Bond purchases by Japanese investors totalled $7bn, double the level in September.

Foreign investors also moved back into Japanese equities, purchasing $3.2bn worth of shares. It was the first time since April that foreigners were net buyers of Japanese equities.

● Japan's unemployment rate in October fell 0.1 points to 2.4 per cent. The number of employed workers reached 60.65m, up 1.4 per cent from a year earlier.

The ratio of job offers to seekers rose 0.01 in October from September to 1.09 on a seasonally-adjusted basis.

Fruit juices and bidet toilets make Tokyo's 1988 hit parade

By Ian Rodger

JAPAN'S prolific inventors continued working at a frenetic pace this year, introducing to the market such vital new products as clothes lines with rain sensors, an electric portable shampooing sink and imitation designer perfumes.

Japan has now become, as one Tokyo economist remarked this week, the world's main new product and new service laboratory, so it is safe to assume that many items on the "1988 hit products in Japan" list, compiled by Dentsu, the country's biggest advertising agency, will soon be appearing in other countries.

Watch out for cordless irons, electric toilets with built-in bidet features and bay windows with air conditioners.

Some of this year's hits, such as dry beer and laptop personal computers are already widely available elsewhere. Others, such as "Cool Takkyubin", should be. It is a refrigerated service developed by one of Japan's largest parcel delivery companies, now used by people making gifts of fresh food to friends and business contacts.

Some of the hit products and services are unlikely to be as popular elsewhere as they are in Japan. Lunch partner introductions and arranged marriage services for expatriates probably respond to peculiarly Japanese needs.

Ditto for support hosiery. Japanese women tend to be sensitive about large calves and are willing to spend big money on trying to make their legs look thinner. The latest high-technology support tights sell for up to ¥12,000 (£54) a pair.

Despite the frenetic development activity among Japan's consumer product groups, it is reassuring to find that some of this year's hits have been used elsewhere for years – among them, microwave ovens, cordless telephones, automatic washing machines and pure fruit juices.

And it is clear that Japanese consumers can still be gulled. One of the hits this year is something called, Ansnol, a snoring depressant. It has replaced (101) Ichi Maru Ichi, a Chinese hair-restoring potion all the rage last spring.

Commission changes tack on tax harmonisation

By Tim Dickson and David Buchan in Rhodes

LEADERS of the 12 EC states were yesterday informed for the first time of a switch in European Commission priorities to put harmonising of savings taxes ahead of indirect taxes.

Mr Jacques Delors, the Commission president, told EC government heads that harmonisation of taxes on savings – designed mainly to prevent tax dodging in a Europe of free-flowing money – was both "more urgent and more difficult" than bringing differing consumption tax rates together.

Mr Delors explained the urgency of the former tax was due to the mid-1990 date by which eight EC states are to lift all exchange controls. Of these eight, France is the most nervous about capital flight to tax havens like Luxembourg.

When France agreed to capital liberalisation last June, it got the EC Council to ask the Commission to come up with anti-tax evasion measures by the end of this year. Mr Delors yesterday admitted he could not stick to this timetable, but promised proposals early next year.

The Commission's tactical switch, however, is not an undisguised blessing to the UK which had been the fiercest opponent of plans by Lord Cockfield, the internal market commissioner, to bring value added tax rates into two bands of 4-9 and 14-20 per cent and create a single EC-wide excise rate. This plan, aimed at preventing distortions in a frontier-free Community, would involve the UK scrapping its VAT zero rating on certain necessities.

The Commission might appear to be putting its indirect tax plans on the back burner (given the more distant 1992 target date), but it is not dropping them. "Just because something is more urgent, that doesn't mean other subjects are less urgent," said Mr Theodore Pangalas, the Greek European Affairs Minister.

It is expected to oppose Commission plans, likely to include a minimum withholding tax on the income that Community non-residents receive from bank deposits and bonds held in other EC states. Luxembourg and several other states impose no such tax.

But the Commission is also pondering amendments in bank secrecy laws and closer co-operation between EC tax authorities, most of which touch on the nerve of political sovereignty.

Mr Delors' problem, on which he partially unburdened himself to government heads yesterday, appears to be that he is fast approaching a deadline with nothing that is non-controversial to suggest.

The Commission's overall worry is that, in the absence of savings tax action, countries like France and Italy might backtrack on their commitment to free capital movement.

Mrs Thatcher and British Foreign Minister Sir Geoffrey Howe at the summit opening session

Maxwell promises a newspaper for Europe

By Tim Dickson and David Buchan in Rhodes

MR ROBERT MAXWELL, the international publisher, yesterday used the summit setting of Rhodes to launch a seven-million-copy promotional edition of his new newspaper, The European.

Proclaiming his conviction of the need for more European news coverage, Mr Maxwell said that the new venture represented "a three-to-five-year commitment in terms of time and money." The start-up costs of the newspaper, to be launched next May, were £20m-£30m, including a £10m launch and promotional budget.

Mr Maxwell said The European was aiming to sell 600,000 to 650,000 copies a day, half of them in the UK. It would be produced "in each country of the world where demand exceeds 30,000 copies a day" with printing planned for Britain, France, West Germany and possibly the Soviet Union.

The cover price, he said, would be 40p in Britain and "the equivalent of FFr5 elsewhere in Europe."

He said the paper would "back anyone and anything in favour of Europe" but would not adopt a party political line. The intention was that The European would become the first paper for people in Britain and the second paper for many people in Europe. It would be in two languages – "English and pictures" – but a particular feature would be short summaries of national news in local languages taken from local newspapers.

French to issue Ecu bonds

By George Graham in Paris and Alan Friedman in Rome

THE French government is planning to issue its first ever Treasury bond denominated in Ecus, the European currency unit, Mr Pierre Beregovoy, the finance minister, has told the foreign affairs committee of parliament.

The proposed debt issue was revealed yesterday by Mr Valery Giscard D'Estaing, the former President of France, speaking at a Financial Times conference in Rome. A French Ecu bond issue would come in the wake of a similar recent move in the UK.

French finance ministry officials said yesterday that the project is far from completion, and that no details of a future issue could yet be given. The move will require new legislation, since the government is at the moment only able to issue debt denominated in French francs.

Bankers were caught by surprise by the move, since the French government appears to have little need for Ecu funding. Banque Indosuez, the leading merchant bank, proposed several years ago to the French Treasury a programme of Ecu-denominated treasury bills, but the idea was rejected.

Some senior officials, however, were disgruntled when the UK upstaged other more loyal members of the European Monetary System this summer by announcing its Ecu bill programme.

Giscard calls for European president

By Alan Friedman

MR Valéry Giscard D'Estaing, the former French President, yesterday described a number of ways of improving the workings of the European Community, including the direct election of a European president.

Mr Giscard, who delivered the Jean Monnet Centenary Lecture, called for the election of a European president who would serve a five-year term. He would be elected either by universal suffrage or by the vote of national parliaments.

Concerning defence, he warned that the debate in Washington over "burden-sharing" between the US and its Nato allies meant Europe must address the issue of a more co-ordinated defence policy.

Speaking about monetary policy, Mr Giscard suggested "a new institution that need not be called a European central bank, but which would receive central bank deposits in various currencies and would intervene on the foreign exchange markets so that Europe can act in a unified manner."

Mr Winfried Spaeh, senior general manager of Dresdner Bank, warned that the incoming Bush administration would need to attack urgently the twin deficits – budget and particularly trade.

Mr Carlo Ripa di Meana, one of Italy's European commissioners, closed the Financial Times conference by joining several speakers in his plea for the creation of a single European currency, which he called the "key to a true integration".

NZ launches attack on unemployment

By Dai Hayward in Wellington

NEW ZEALAND'S Labour Government has launched a drive to reduce the record level of unemployment, the biggest economic worry affecting its popularity in the public opinion polls.

In a package called Restart, the Government will provide a subsidy of $325 (£115) a week to employers who hire people who have been on the dole for more than nine months. The employer or sponsoring organisation will have to meet the balance of any costs involved with the job.

Community organisations, local bodies and other organisations are expected to take advantage of this scheme. The Government expects at least 5,000 jobs to be created over the next year.

The subsidy will last from four to nine months depending on the type of work. Although the Government has allocated $100m for the Restart programme, Employment Minister Phil Goff says the net cost will be lower because those going into jobs will pay tax, and the Government will save on unemployment benefits.

Unemployment is running at 150,000, about eight per cent of the workforce. Further job losses are expected as part of the Government's assets sales and industrial rationalisation.

Australia closes Yugoslav consulate

By Chris Sherwell in Sydney

DIPLOMATIC relations between Australia and Yugoslavia were ruptured yesterday when Canberra ordered the closure of Belgrade's Sydney consulate and the expulsion within 72 hours of its staff and their families.

The order follows the consulate's failure to hand over the security guard who allegedly shot a teenaged Croatian nationalist protester participating in a mass demonstration outside the consulate last Sunday.

In a voluble reaction, Canberra insisted that the matter be handled through the police and the courts. It called the guard's use of firearms "totally indefensible, whatever the provocation", and issued its final ultimatum on Thursday night.

The Yugoslavs said the shot was fired when demonstrators entered the consulate grounds, apparently intending to tear down the flag.

The injured youth, among the crowd at the gate, was said to have been hit by a ricocheting bullet.

They strongly criticised the security provided by local police during the protest, and demanded the arrest of the trespassing demonstrators. Although they made the guard available for interview by the police, they refused to hand him over.

The demonstration itself coincided with Yugoslavia's Republic Day, and was a revealing example of the ease with which ethnic tensions abroad can be mirrored in violence among Australia's own numerous immigrant communities.

Apart from the consequences of Croat extremist activities, the country has also experienced demonstrations by Macedonians – one against the visiting Greek President on the same day as the latest Croat incident – and separate disruptions springing from Turkish-Greek, Arab-Israeli and South African racial tensions.

The rift with Yugoslavia became a certainty yesterday when consulate staff began packing their bags well ahead of the 6pm deadline for the guard to be handed over. They must all now leave Australia by Monday evening.

Although Canberra acknowledges the possibility of retaliation by Belgrade, it also hopes the issue will not escalate into a total break. Relations between the two countries have recently been improving, and both sides see advantages in continued ties.

EC 'still far from common bank'

By John Wyles and Alan Friedman in Rome

FT CONFERENCE

European business forum: 1992 and after

A BLUNT assessment that the European Community is still far from agreeing to establish a common central bank and currency was given to the FT conference yesterday by Dr Erik Hoffmeyer, governor of the Danmarks Nationalbank, the Danish central bank.

Stressing that language and cultural barriers still play an enormous role in impeding penetration across national frontiers, Dr Hoffmeyer stressed the importance of West German policy on growth as an obstacle to any move towards taking decisions on monetary matters on a common basis.

West Germany showed a greater preference for price stability over growth than Denmark and France and also "presumably" Italy. Majority decision-making would imply that the German preference would be partly overruled.

Outlining the Danish experience following the liberalisation and, more recently, the abolition of all capital restrictions, Dr Hoffmeyer said foreign banks which had come into the Danish market had not managed to win much market share. After 10 years of free entry, their balance sheet was less than one per cent of the total and their profitability had been rather low.

Giving a foreign banker's view of mergers and acquisitions in Italy, Mr Alain Camu, a director of Hill Samuel in London and managing director of Petercam Securities, Brussels, acknowledged the progress made in reducing and eliminating losses in the Italian public sector. But he criticised the inadequacies of public services.

No country in Europe was so beset by "a legislative and regulatory cobweb" as Italy, which was ill-suited to modern times. The result was a higher cost of transactions for the end customer and insulation from the winds of international competition, said Mr Camu.

Mr Paolo Baratta, president of Crediop, explained the changing role of Italian banks in Italy's developing financial markets and the factors which in the past had weighed against change and innovation in the banking system. In the seventies and early eighties the banks had been the only source of financial support for the industrial system during a very difficult period and they had often extended credit beyond limits which a strict concept of prudent banking might have allowed.

This support for Italian industry during a period up to 1980 when companies' total indebtedness was around three times their capital was made possible by the country's extremely high personal savings rate – 28 per cent of disposable income. Most savings found their way into bank deposits, and this liquidity enabled the banks to purchase government bonds which were being issued in growing quantities as annual fiscal deficits deteriorated.

In a speech read in his absence, Mr Giovanni Agnelli, the president of Fiat, complained that attempts by European companies to merge and concentrate across national barriers were still meeting obstacles raised by governments defending "national champions".

Welcoming the move towards the free movement of capital in Europe, Mr Agnelli said it would be incomplete without a common monetary unit to eliminate the costs and administrative problems of handling different currencies.

Tourists desert an island paradise

John Simkins braves strikes, petrol shortages and extremist violence to visit Sri Lanka's empty tourist spots

THE further unrest this week in Sri Lanka, casting doubt on whether presidential elections will be held as planned on December 19, must have confirmed Berenger's fears that he is in for a difficult time.

Along with thousands of others, Berenger works in the tourism business, which was once the country's fourth largest foreign exchange earner, after tea, textiles and rubber, but has now collapsed. His plight differs only in degree from that of government employees who face the sack if they do not turn up for work and yet can be threatened with violence from the People's Liberation Front (JVP) if they do.

There is no sign of a return to the paradise island of Sri Lanka by tour operators who last month evacuated up to 8,000 clients amid fears for their safety just as the peak season began. By disrupting industry and the public services, the JVP, a radical Sinhalese group fanatically opposed to the accord between Sri Lanka and India giving some autonomy to the minority Tamils, forced the withdrawal of tourists from the glorious western beaches and the inland towns of the centre and south. Hotels closed and staff were laid off.

The curfews continue and there is frequently a *hartal*, or strike, called by the JVP. Public transport is patchy, petrol is reaching only the main towns, and the southern province is virtually at a standstill.

It was shortage of petrol, during a recent spell of paralysis in the public services, that so tested the ingenuity of Berenger, who works as chauffeur and guide to tourists who hire a car from the Colombo garage which employs him.

Berenger (not his real name) is among the one per cent of Sri Lankans who are Burgher, of Dutch descent. Unflappable and humorous, he turned up as a late replacement for a Sinhalese driver who felt himself more exposed to threats from the JVP. Not that Berenger was unaware of the risks: he already feared a warning from the JVP for having had to work through previous hartals.

Going south from Colombo was out of the question so we headed 70 miles inland to Kandy, the picturesque former capital which boasts the Buddhist shrine, the Temple of the Tooth. The road, bedecked with red and white JVP flags, was deserted because, unknown to Berenger, there was indeed a hartal, news of which was spread by poster.

Berenger managed a smile at the sight of a talipot palm in bloom. The tree may live 75 years before flowering and dying and the phenomenon is considered very unlucky. However, the JVP does not attack tourists. It strikes at selected Sinhalese opponents and government employees and has killed more than 500.

At one of the few hotels still open in Kandy a group of Austrians, frustrated by the prospect of an early return to Colombo and an end to their holiday, consoled themselves with arrack, the local liquor. The extent of our journey depended on petrol. There was only 2 litres per car to be had in Kandy, at the end of a long queue, and Berenger judged the effort not worthwhile. We turned north, with the ancient city of Polonnaruwa, 100 miles away, our target.

HAPPIER DAYS: Western tourists at Kandy before the troubles

Halfway, we spent the night at a rest house, as its only guests. The owner, a sad and puzzled Sinhalese, was cutting down his staff and contemplating closure. Hopes of expanding his hotel, building a swimming pool even, had been dashed.

All the agitation did not necessarily mean opposition to the Government, he said. "I've been asked to send two people to a JVP rally and my staff are welcome to go. But I won't – there have to be certain principles." As for the Tamils, he believed the Sinhalese had received an unfair press. "We let them live and work among us but there's no way they would let us do that among them in the north and east."

He lent us a motorcycle, into which Berenger siphoned some petrol from the car and on which we reached Polonnaruwa, passing sabotaged trucks and telegraph poles and an Indian army convoy. The ruined 12th-century city of Parakramabahu the First, normally crowded with coaches, was deserted. There was nobody even to take the entrance fee.

That night the Government banned pillion riding on motorcycles to cut down the mobility of its opponents, but by then we were back in Colombo with even Berenger's resourcefulness defeated.

There had been no telephone links with Colombo and he knew his family would be relieved to see him. But it is likely their joy was tempered by the knowledge that he had probably made his last tour for some time.

Grenade kills opposition chief

By Mervyn de Silva in Colombo

A VICE-PRESIDENT of the opposition Sri Lanka Peoples' Party (SLMP) and four others were killed, and more than 20 other people injured when grenades were flung from a parked van at an election rally of SLMP presidential candidate Mr Ossie Abeygoonesekera.

He is challenging Prime Minister Mr Ranasinghe Premadasa and Sri Lanka Freedom Party leader Mrs Sirimavo Bandaranaike in the December 19 presidential election.

The party accused the extremist Sinhalese JVP and its military wing

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OVERSEAS NEWS

Soviet hijackers surrender to Israeli troops

By Andrew Whitley in Jerusalem and Quentin Peel in Moscow

THE FIRST hijacking of an aircraft from the Soviet Union to Israel ended without bloodshed last night. Five hijackers – four Russians and an Armenian – surrendered to the Israeli authorities half an hour after the Ilyushin-76 transport aircraft landed at Tel Aviv's Ben Gurion international airport.

The eight crew members were released unharmed, and a large sum of money – estimated at 2m roubles – was found on board, suggesting that the action was criminal rather than political.

The episode revealed an unusual degree of practical co-operation between Israel and the Soviet Union, which have had no diplomatic relations since Moscow severed ties in 1967. It was also the first such incident in recent years in which the Soviet authorities gave in to the hijackers' demands.

The drama began on Thursday when the gang seized a bus full of schoolchildren in the North Caucasian town of Ordzhonikidze, and demanded "a large sum of money and an aircraft to fly them abroad," according to a Civil Aviation Ministry official. They demanded to go to either Israel, South Africa or Pakistan, he said.

They were later joined by a woman, before they flew out of the country on an Ilyushin-76 cargo aircraft, according to the official Soviet news agency, Tass.

Negotiations appear to have gone on through the night, conducted by the State Security Service – the KGB – before the 30 children and their teacher and the bus driver were eventually released unharmed. They were exchanged as hostages for the seven man crew of the plane, who were all kept in handcuffs throughout the negotiations, the official said.

In an unprecedented move, the Soviet Ministry of Civil Aviation contacted its Israeli counterpart to warn that the aircraft was destined for the Jewish state. In Israel, Defence Minister Yitzhak Rabin and Lieutenant-General Dan Shomron, the chief of staff, personally supervised preparations at the airport, deploying an elite anti-terrorist unit along with other troops.

At one stage a decision was made to deny the aircraft landing permission. This was later reversed, and fighter aircraft escorted the Ilyushin down to a remote corner of the international airport. A Foreign Ministry official went on board and shortly thereafter the hijackers came off the aircraft to be taken away for interrogation.

Earlier in the day, an informal request was received from the Soviet authorities for the aircraft and crew to be returned, together with the extradition of the hijackers. Regular contacts were maintained between the Foreign Ministry and a Soviet consular mission in Tel Aviv. Provided that none of the hijackers turns out to be Jewish, the indications last night were that the request will be complied with. But if any of them are, the Shamir Government will be faced with an acutely difficult decision over sending them back. Official contacts between Israel and the Soviet Union have lately resumed at an increasing pace. The practical co-operation demonstrated over this incident could therefore provide an unexpected boost to bilateral relations.

The last reported seizure in the Soviet Union, when a plane was hijacked by a family of jazz musicians, ended in a bloody battle in which nine people were killed.

Moscow to meet Afghan guerrillas

By Quentin Peel in Moscow

THE Soviet Union will hold top-level talks this weekend with leaders of the Afghan guerrilla opposition, in a radical change of policy apparently aimed at putting together a broad-based coalition government in Kabul.

Mr Yuli Vorontsov, the Soviet First Deputy Foreign Minister and ambassador to Afghanistan, will fly to Saudi Arabia today to meet a three-man Afghan opposition delegation led by Burhanuddin Rabbani, the leader of the Moslem rebel alliance.

His trip comes at a crucial time for the Afghan peace process, when the Soviet Union has suspended its withdrawal of troops, due to be completed on February 15, because of alleged violations of the Geneva peace agreement by Pakistan and the US.

Western observers believe Moscow is urgently looking for a dignified way to continue its retreat, without leaving behind a disintegrating Afghan Government facing a civil war it seems to be losing.

The announcement of Mr Vorontsov's trip coincided with a statement strongly urging the idea of a new international conference on Afghanistan, at which the divided country would be represented by a "broadly-based coalition government".

The aim of the conference would be to negotiate "Afghanistan's neutrality and demilitarisation", a Soviet spokesman said.

The talks underline the growing exasperation in Moscow at the failure of its Afghan allies, led by President Najibullah, either to keep the opposition guerrillas at bay or to put together an acceptable coalition government.

Hitherto the Afghan opposition has been united on one point: that any coalition government cannot include President Najibullah. The problem for the Soviets is that the rebels are united on little else.

The meeting confirms the assumption that the appointment of such a senior Soviet official as Mr Vorontsov as ambassador to Kabul was a preliminary to a major Soviet effort to negotiate a dignified withdrawal.

"We believe they will still come out in February," a senior Western diplomat said in Moscow yesterday. "But Gorbachev is looking for some way of coming out with the bands playing and flags waving, and he has not found it yet."

Finn Barre adds from Riyadh: In addition to seeking a settlement with the Afghan opposition, Mr Vorontsov's trip to the Saudi city of Taif may also be designed to pave the way for a resumption of diplomatic relations between the Soviet Union and staunchly anti-communist Saudi Arabia.

Saudi Arabia is an important venue for the talks because it is one of the Afghan resistance's biggest financial backers. Government support has been freely given and private contributions have also been large. The Afghan struggle against the "atheistic" Soviets is immensely popular in Islamic Saudi Arabia. Some young Saudis have even gone to fight alongside the Afghans seeking martyrdom for Islam.

In the case of the Soviet-Mujahedin talks, the Saudis are acting on a request by the Pakistanis.

The Soviets are also interested in using this visit of a high-ranking diplomat to open diplomatic relations. China is already opening a consular office in Jeddah. Oman, Kuwait and the United Arab Emirates all have diplomatic relations with the USSR.

Saudi Arabia has long stated that an end to the occupation of Afghanistan is necessary for normal relations between the two countries.

Fine print holds up African peace talks

By Anthony Robinson in Brazzaville

HOPES FOR a peace settlement in southern Africa hung in the balance here last night as delegations from Angola, Cuba and South Africa remained in last-minute negotiations over the fine print of the Cuban troop withdrawal procedures.

Agreement in principle on the phased withdrawal of all 50,000 Cuban troops over 27 months was reached by negotiators from Angola, Cuba and South Africa in Geneva on November 15. It was subsequently ratified by their respective governments, which undertook to sign an official protocol covering the details of troop withdrawals and the associated question of Namibian independence.

But Pretoria made clear that its acceptance depended on working out means of monitoring and verifying the Cuban withdrawal acceptable to all parties.

According to South African sources, difficulties in working out "acceptable" monitoring procedures only became clear once the timetable for Cuban withdrawal had been agreed at Geneva. Pretoria's insistence on being involved in the verification process at all stages has been atthe heart of the technical negotiations here all week.

Mr Chester Crocker, the US Assistant Secretary of State for African Affairs, has played an active role as mediator in liaison with his Soviet counterpart, Mr Anatoly Adamishin, a Soviet deputy foreign minister and Moscow's principal African expert.

The latter has no official role but is viewed by the South Africans as a key figure. As far as Pretoria is concerned, the main unknown factor is thedegree to which the Soviet Union is prepared to lean on Cuba inthe interests not only of peace in southern Africa but of its broader strategic interests in East-West co-operation.

It was largely because of this that Pretoria decided to reinforce its delegation, led by Mr Neil Van Heerden, the director general of foreign affairs. As a result, Mr Pik Botha, the Foreign Minister, and General Magnus Malan, the Defence Minister, arrived here yesterday seeking an unprecedented meeting with Mr Adamishin.

In Pretoria, Mr Botha likened the search for peace in Angola and independence for Namibia to the search for water: "It seems we have now struck a hard rock."

South African sources made clear the protocol would be signed only if its verification procedures could be sold politically back home.

Last month Mr Botha proposed the setting up of a five-nation "umbrella" group to monitor troop withdrawals, which would include not only South Africa but also both the superpowers. The outcome of these crucial talks in Brazzaville could depend on the degree to which Moscow and Washington are willing to act as effective co-guarantors of the withdrawal process.

Bhutto's day soured by Punjab setback

By Christina Lamb in Islamabad

MS BENAZIR BHUTTO'S first day as Pakistan's Prime Minister ended in controversy when her party members stormed out of the Punjab provincial assembly, over what they termed the "fixed election" of Mr Nawaz Sharif, leader of the conservative opposition Islamic Democratic Alliance (IDA), as chief minister for another term.

The row erupted when, after the IDA had won the election for both Speaker and deputy Speaker by secret ballot, the vote for chief minister was held on a show of hands. The Pakistan People's Party (PPP) candidate, Mr Farooq Leghari, objected that this was unconstitutional, but was overruled.

Accompanied by his 98 party men, Mr Leghari walked out, threatening to boycott the assembly until the Supreme Court has decided the issue. In the PPP's absence, Mr Sharif was elected by 151 to 0.

Elsewhere, PPP candidates Quaim Ali Shah and Aftab Sherpao were elected in Sind and the Frontier Province, while the IDA candidate, Mr Zafarullah Jamali, won unopposed in Baluchistan.

The Punjab debacle cast a shadow over Ms Bhutto's first day in office. Having a strong opposition government in the country's most populous province could create difficulties for her, though ultimately it is she who controls the purse strings.

Hopes of co-operation between the two were dashed when, in his acceptance speech, Mr Sharif described the past 11 years as "years of justice." In Islamabad, Ms Bhutto was calling them "years of dictatorship and suppression."

At her swearing-in ceremony in the presidential palace, however, everyone seemed to be on Ms Bhutto's side. She could barely keep the smile from her face as she took the oath in a hall filled with politicians, diplomats and military personnel, as well as her family and friends.

As she signed her name, her supporters broke into applause and cries of "Long live Bhutto."

She was escorted to the ceremony by the President and three services chiefs, men whom until recently she had considered her foes.

S African activist released

THE PROMINENT anti-apartheid activist and journalist Mr Zwelakhe Sisulu, who had been detained without charge for two years, was released yesterday and placed under severe restrictions, AP reports from Johannesburg.

Mr Sisulu, editor of the New Nation newspaper, is barred from working on the publication, cannot leave the Johannesburg area, must report to police twice a day, and is required to be in his Soweto township home at night, his lawyer, Ms Priscilla Jana, said.

He is also banned from participating in any activity critical of the Government, cannot be in the presence of more than 10 people, is barred from going to any school and cannot give media interviews.

"This is the harshest [restriction] order so far under the emergency regulations," Ms Jana told a news conference. "It seems he can do virtually nothing. He is imprisoned in his own house."

Mr Sisulu, who was released from Diepkloof Prison in Soweto, attended the news conference but did not speak.

"The Government is trying to fool the international community that has so loudly called for the release of Zwelakhe Sisulu," said fellow activist Mohammed Valli-Moosa.

Lt Peet Bothma of the Law and Order Ministry said several other detainees were to be released yesterday but did not say how many or who they were. The Star of Johannesburg said six unidentified detainees were released. A source who requested anonymity said Mr Eric Molobi, an official with the National Education Crisis Committee, was one of the men freed.

Mr Sisulu, 37, has been held without charge since December 1986 under state-of-emergency regulations.

● Black leaders protested yesterday in a newly declared "whites-only" park, but the right-wing town council vowed to resist mounting pressure to abandon its resegregation campaign, AP reports from Boksburg.

"We are going to carry out fearlessly the will of the white people," said a Conservative Party official, Mr Koos van der Merwe, at an emotional news conference in Boksburg. "We will never surrender. Never. Never. Never."

He said Conservatives were establishing a fund to support right-wing councillors who become targets of economic sanctions aimed at forcing them to reverse their decision.

The Conservatives, who took control of Boksburg's town council in local elections on October 26, called the news conference to rebut claims by the governing National Party that three Conservative councillors planned to defect.

One of the resegregated facilities is the town's largest park, Boksburg Lake, where 11 black leaders from neighbouring townships staged a peaceful mid-afternoon protest.

Committee rebukes UK over level of foreign aid

By Ian Davidson in Paris

THE STEADY deterioration in Britain's provision of government aid to developing countries is roundly rebuked in a report by the Development Assistance Committee, which surveys the aid performance of the industrialised countries.

The report on the UK's performance, published yesterday, pointed out that the volume of British aid to the developing world had declined in real terms during much of the 1980s, and that British official development assistance (ODA) as a share of gross national product had declined considerably below the average for DAC countries.

The committee urged the UK to re-examine the scope for a stronger real increase in aid, and said that it "firmly believes the time has come to reverse the downward trend in the UK ODA/GNP ratio".

In 1987 Britain's ODA disbursements fell by 7 per cent in real terms to £1.138bn representing a decline as a share of GNP from 0.31 per cent to 0.28 per cent. The Committee points out that the UK has publicly subscribed to the United Nations target, that development aid should reach 0.7 per cent of GNP. In practice, the British record has shown a steady decline from 0.40 per cent in 1981/82 to 0.28 in 1987.

Over the past five years, the British economy has grown by an average of 3.1 per cent a year in real terms; whereas British ODA disbursements have declined by 2.9 per cent a year, also in real terms.

Nato burden-sharing 'key issue in next decade'

By David White in Brussels

THE DISTRIBUTION of costs between Nato countries was likely to remain "a key issue" in the 1990s, Mr Frank Carlucci, the US Defence Secretary, warned yesterday. This was despite US satisfaction over a Nato report on the burden-sharing question, which defence ministers adopted unanimously at a two-day meeting in Brussels.

Nato had to ensure that the report's recommendations to members on improving contributions were followed up effectively without resorting to "the business-as-usual approach," he said.

"This is not the end of it," he told a news conference. "As long as Congress perceives that we are dealing with the problem, I hope there will not be efforts to reduce [US] troop strength in Europe."

The 2 per cent annual real growth in defence spending that he had recommended to President Ronald Reagan would suffice to keep up the levels of US forces deployed abroad, he said.

In the run-up to the planned new East-West negotiations on conventional arms control, Mr Carlucci said it was "vitally important" that Nato should continue with all its military programmes.

Olivetti forms joint venture to bid for car phone licences

By Hugo Dixon

OLIVETTI, the Italian information technology group, is forming a joint venture with two US companies to apply for licences to operate car phone networks in Western Europe.

The move is the most recent sign that competition to provide cellular services throughout the Continent will be heated when the pan-European system comes into operation in the early 1990s. This will allow people to drive from London to Madrid using the same car phone.

British Telecom, the UK's Racal Telecom and several of the US "Baby Bell" telephone operators have already made clear that they would like a share of what is expected to be a lucrative market.

Olivetti is to have 51 per cent of the new venture, which will be called Eurocell Communications and based in Brussels. The other partners are Cellular Communications, which operates a car phone service in Ohio, and Shearson Lehman, the investment banking group. They will have 34 per cent and 15 per cent of the venture respectively.

Eurocell's aim will be to apply for licences as European markets are liberalised. The pattern – which has already been chosen for Britain and France, and seems likely to be adopted in much of the rest of Europe – is for one licence to be reserved for the country's established telephone operator and a second to be granted to a competitor.

Eurocell's first priority will be West Germany, which is due to choose its second cellular operator to compete with the Bundespost next year. Other attractive markets are Italy and Spain.

In each case, Eurocell will look for local partners which will be expected to have the majority stake in any licence to overcome political objections.

Eurocell's start-up capital will be in the low millions of dollars. However, if and when it wins licences, further cash will be raised from its shareholders to make the necessary investments.

The establishment of Eurocell fits in with Olivetti's long-term strategy of shifting more of its business into services. "We are assembling the building blocks to get heavily into the value-added services area," it said.

EC puts off decision on photocopiers

By William Dawkins in Brussels

AN INFLUENTIAL EC customs body has put off until next year a decision on a controversial European Commission plan that would lead to the imposition of anti-dumping duties on Japanese photocopiers exported from the US.

The Brussels authorities believe that Ricoh, the Japanese electronics company, has been trying to circumvent EC anti-dumping duties by supplying the European market from a Californian-based factory fed with dumped components. The Commission had asked the EC rules of origin committee, an advisory body of national customs experts, to vote this week to refuse to accept US certificates of origin granted to Ricoh photocopiers assembled in California – a move that would have added new tension to strained US-Community trade relations.

The committee has instead asked EC governments to agree next year on a regulation on rules of origin for photocopiers in general. A draft of the regulation proposes that photocopiers should have 45 per cent local content to qualify for local origin. That definition would still allow the Commission to treat Ricoh's Californian exports to the EC as if they were Japanese and impose duties on them accordingly, believe EC officials.

The EC's main regulation on the issue defines a product's origin as where it underwent its last substantial transformation. However, a host of specific regulations, like the new proposal on photocopiers, are used to apply that general rule to individual products.

Eritrean rebels agree to talks

By Andrew Gowers

SUDAN has persuaded Eritrean rebels based in its territory to negotiate an end to their separatist conflict with the Ethiopian Government, in order to improve the chances for an end to the Sudanese civil war, it was claimed in London yesterday.

Mrs Sara el-Mahdi, the wife of the Sudanese Prime Minister and a leading member of his Umma party, told a press conference: "Sadeq [el-Mahdi, the Prime Minister] got the agreement of all Eritrean parties in Sudan to go to negotiate with Addis Ababa."

The disclosure follows the Sudanese cabinet's endorsement on Thursday of an agreement between Sudan's Democratic Unionist Party and the rebel Sudan Peoples Liberation Movement. If confirmed, it would raise the prospect of separate negotiations to end two key elements in the civil strife that has afflicted north-east Africa for decades.

Mrs el-Mahdi said it would greatly assist the prospects for peace in Sudan if the Ethiopians and Eritreans came to an understanding. Ethiopia has provided considerable assistance to the SPLM, which has bases on its territory, while Sudan has supported the Eritrean Peoples Liberation Front.

Mrs el-Mahdi confirmed that all parties in Sudan's coalition Government had thrown their support behind the DUP's agreement with the southern rebel leader, Col John Garang.

This calls for a ceasefire, the lifting of the country's state of emergency, a continuing freeze on Islamic law and the convening of a constitutional conference this month to determine the country's future political and confessional structure.

Detailed arrangements, however, are still to be worked out by two committees which Mr el-Mahdi is forming, with the participation of rebel representatives. He was not setting preconditions, however, his wife said.

The cabinet's endorsement of the peace plan is a political breakthrough in Sudan, since the National Islamic Front, the third-largest party in the coalition, had previously been critical of talks with the SPLM.

Swift accord on Trinidad debt

By Stephen Fidler, Euromarkets Correspondent

TRINIDAD AND Tobago's leading bank creditors have agreed in principle to a rescheduling of $450m of the country's foreign bank debt, which covers principal repayments on public sector loans falling due between September 1988 and August 1992.

The agreement, arrived at speedily in talks between the country's debt negotiators and the country's six-bank advisory committee headed by the Bank of Tokyo, will now be put to the country's creditor banks.

The loans will be rescheduled over 12 years with a grace period of 4½ years. Interest will be charged at ⅞ of a percentage point over London interbank offered rates.

Final agreement will depend on an adequate monitoring of the economy from the IMF and the start of discussions over loans with the World Bank and InterAmerican Development Bank over loans.

China minister sees Gorbachev in Moscow

THE CHINESE Foreign Minister, Qian Qichen, met Mr Mikhail Gorbachev in the Kremlin yesterday on the second day of a visit to Moscow, Reuter reports, quoting Tass news agency.

On Thursday, Qian and Mr Eduard Shevardnadze, his Soviet counterpart, agreed to promote a solution to the Kampuchean conflict. Their meeting in Moscow was the first in three decades between the foreign ministers of the world's two most powerful Communist states and the two men said they were opening a new era in Soviet-Chinese relations.

France lifts embargo

France has decided to lift its embargo on Iranian oil imports completely, the Industry Ministry said yesterday, Reuter reports from Paris. It imposed the ban when the two countries severed diplomatic relations in July 1987 over an Iranian embassy official's alleged involvement in terrorist attacks in Paris. Paris and Tehran re-established ties when the last French hostages in Lebanon were freed in June. The French Government eased the embargo in September by allowing barter deals

Sri Lanka poll

A general election has been called in Sri Lanka for February 15, it was announced yesterday, AP reports from Colombo. A poll to elect an executive President is scheduled for December 19.

Voices stilled in Venezuela's strident poll campaign

A long and nasty contest is over to the relief of many, writes Joe Mann. All that remains is to vote

VENEZUELA'S presidential election campaign ended on Thursday with noisy caravans of cars, impassioned speeches by candidates and an almost audible sigh of relief from millions of Venezuelans.

Almost half the country's 18.7m population are eligible to vote tomorrow. They will choose a new President from a list of 24 candidates which includes mainstream candidates, left-wingers, retired generals and a witch doctor. They will also vote by party lists for members of the national congress and state legislature.

The campaign has been long, nasty, expensive and low on serious discussions of specific issues. Some politicians began jockeying for presidential candidacies soon after the current President, Mr Jaime Lusinchi, of the Democratic Action (AD) Party, won an ample victory in December 1983.

Both AD and the other big political group, the Social Christian Copei Party, spent huge sums on an orgy of media advertising, posters and massive political rallies that regularly choked Venezuela's major cities over the past several months.

Venezuelans are worried about many issues, among them inflation, unemployment, crime, foreign debt, relations with Colombia, drugs, housing and health care. The presidential candidates for the two main parties, ex-President Carlos Andres Perez of AD and Deputy Eduardo Fernandez of Copei, addressed these issues. Both have promised to strengthen the economy, renegotiate Venezuela's $33bn foreign debt, defend territorial claims, give the private sector a more important role and improve public services.

But the general tone of the campaign was marked by often nasty attacks and counter-attacks, and slogans and personalities seemed more important than detailed discussions of programmes. Much of the propaganda of the two parties refers to "El Gocho" (Mr Perez), a term for a native of the Andean region, and to "El Tigre" (the Tiger), a name invented to give Mr Fernandez an aggressive image.

Of the 24 presidential hopefuls, only two – Mr Fernandez and Mr Perez – have a real chance of winning. Most public opinion polls have given Mr Perez a significant advantage.

Mr Perez was born in 1922 in the Andean state of Tachira in the west. He began working actively in politics at the age of 15, and has devoted himself entirely to politics during his adult life, never completing his university studies. He was a youth leader in AD and served as private secretary to former President Romulo Betancourt in the 1940s.

During the dictatorship which ruled Venezuela from 1948 to 1958, he was an active opponent of the regime and was jailed and then expelled from the country. In the early 1960s, he served as Interior Minister and played an instrumental role in crushing left-wing guerrilla movements that tried to overthrow Venezuela's new democratic system.

He was President from 1974 to 1979, during the first years of Venezuela's oil boom. His government was characterised by big spending and huge development projects, and has been widely criticised for mismanagement, waste and corruption. However, it successfully nationalised petroleum and iron ore mining companies and moved ahead with important projects in hydro-electric power, aluminium, steel and other areas.

An unabashed populist, Mr Perez has stressed his experience and record throughout the campaign and has based his support on Venezuela's labour movement.

Mr Eduardo Fernandez was born in Caracas in 1940 and has been active in party work since he was a teenager. He received a law degree from the Andres Bello Catholic University and took postgraduate courses in Europe and the US. He earned a master's degree in political science from Georgetown University in Washington.

He is now a deputy in the national congress and secretary-general of his party, the nation's second largest after AD. He has been an important figure in Copei for many years and was a favourite of the party's founder, former President Rafael Caldera, until he beat the ex-President in a party contest for the presidential candidacy last year.

During the campaign, Mr Fernandez has offered Venezuela "a new democracy," youth, a fresh view and an end to the corruption that has characterised the country's governments in modern times.

He tried to make an issue out of Mr Perez's position on a border dispute with Colombia, and also challenged his opponent to a national debate. When his offer was denied, he suggested that Mr Perez was afraid to meet him face-to-face. While both candidates have similar economic programmes, Mr Fernandez offers a more liberal set of objectives, saying the private sector would be subject to very few government controls.

Move to support dollar lifts reserves $428m

By Ralph Atkins, Economics Staff

THE UK's gold and foreign currency reserves increased last month by an underlying $428m, according to Treasury figures published yesterday.

The rise almost certainly reflects Bank of England intervention in currency markets during November to support the US currency. Action to check the rise in sterling early this week might also have had an effect.

At the end of last month, total reserves were $51bn. That might provide a comfortable cushion that the Government could use if necessary to stop sterling depreciating.

The underlying increase was much less than October's rise of $1.12bn but matched most City analysts' forecasts.

The actual change in November was a rise of $992m. The difference between that and the underlying increase is largely explained by $908m proceeds from the second tender of UK Treasury bills denominated in European Currency Units (Ecu) offset by $246m on maturing Ecu bills.

Repayments of borrowing under the exchange cover scheme, under which nationalised industries borrowed on foreign exchange markets, totalled $98m.

The underlying increase gives a rough guide to the scale of market intervention. However, the Treasury emphasised that it reflected a variety of transactions, both debits and credits, including transactions by government departments and interest receipts and payments.

Last month the Bank of England is thought to have purchased dollars as part of a co-ordinated effort by members of the Group of Seven industrial nations to defend the US currency.

The figures would also have included intervention on Monday when the Bank of England is also thought to have been selling pounds and buying dollars and other foreign currencies to stem sterling's rise.

Mr Nigel Richardson, economist at Warburg Securities, estimated that a further $500m addition to the reserves figures was still forthcoming as a result of intervention since October's trade figures were published.

He said the size of the Government's reserves continued to help confidence in sterling.

Bank of America cuts Eurobond operation

By Stephen Fidler, Euromarkets Correspondent

BANK of America, the US west coast bank, is closing its Eurobond market operation in London with the loss of between 40 and 50 jobs.

The closure of the operation, one of the largest to be announced this year, comes against a background of falling profitability in the market.

Many firms are incurring losses in the business and there has been a significant reduction of staffing in Eurobond operations at most City firms, including other US banks.

Bank of America International was a market maker in the Eurodollar, Euroyen and D-mark sectors of the market, and also had a small operation to syndicate new Eurobond issues, although it had not lead managed an issue for almost a year. The bank's US Treasury bond operation in London is part of its San Francisco-based treasury operation and will not be affected.

The bank said its decision, to take immediate effect, was based on lack of profitability of the Eurobond market and on its commitment to produce a superior return on capital.

It pulled out of market making in floating rate notes about a year ago with the loss of some jobs and bank officials said then they would be keeping the rest of their London bond operations under review.

The move will not affect its money market operations, which the bank said it intends to expand, nor its corporate finance, mergers and acquisitions, and other merchant banking business.

Most of those losing their jobs left their desks yesterday, although a small contingent is staying on to wind down the bank's operations and inventories of bonds.

In spite of the difficulty in posting profits, few other important firms have explicitly pulled out completely from the Eurobond market. Lloyds Merchant Bank did so in the summer of 1987 and Orion Royal Bank some time later, but that was partly linked to an impending takeover by Orion's parent, Royal Bank of Canada, of Dominion Securities.

Lloyds cuts international banking staff in London

By David Barchard

LLOYDS BANK is to shed nearly a quarter of the staff at its international banking department in London as part of an internal reorganisation aimed at cutting costs.

The bank said yesterday that the 400 staff in the department had been told of the job losses this week. They include 38 managerial and 48 clerical posts.

Lloyds hoped it would be able to find other jobs for many of the staff and that people actually made redundant would number fewer than 86.

It declined to give further details of the job cuts or to identify reasons for them. Lloyds Bank Staff Union was last night unable to comment.

The international banking department, one of the four main organisational arms of Lloyds Bank, handles operations in 43 countries. Its activities range from retail banking to securities and trade finance, but exclude the top end of the corporate banking market.

This is the latest in a series of operational reorganisations by Lloyds. In May it announced that it was combining its treasury and corporate lending departments. In March the bank shut its New York-based commodity trading unit as part of a wider review of profitability.

Christmas tree buyers go back to the roots

By Maggie Urry

A RECORD number of real Christmas trees will be bought in Britain this year. About 4.5m real trees, ranging in height up to the 40 ft-plus giants that adorn pubs, offices, hotels and hospitals, will be sold, according to the British Christmas Tree Growers Association.

This represents a resurgence in popularity of the real tree over artificial ones which gained ascendancy in the 1970s. Real Christmas trees got a bad name when all too often, buyers were palmed off with "tops and thinnings," bits cut off much larger trees.

The growers' association was formed at the end of the 1970s to counter such bad practices. Maj Gen Tony Richardson, secretary of the association, says his members supply about half the trees grown in Britain.

This year, he says, "the trees are in splendid shape – we have had a nice wet summer." Prices, he warns, will be up a bit, perhaps 5 or 10 per cent. A good Norway spruce – the usual species sold – about six ft high, will cost up to £10.

However, there is growing demand for other species of tree that are better at holding their needles. Maj Gen Richardson says that 90 per cent of a sample of people who did not buy real trees said they would buy one but for the need to vacuum up the fallen needles. Scots pine and noble fir, he says, are best at keeping their needles on, and a Caucasian fir also has "good needle-holding properties".

The growers are scathing about sprays that purport to stop trees dropping their needles on the carpet. Instead, they suggest that cut trees should be stood in water. The principle is the same as for flowers – cut an inch off the bottom, stand it in water and keep the water topped up – a tree can drink a pint a day in a centrally heated room.

Increasingly, trees are being sold with their roots. However, the old story that growers boil the roots to stop buyers growing them on in the garden and using them again next year is just another Christmas myth, the growers say.

Boiling would hardly be necessary anyway. Trees sold with dry roots have probably been ripped out of the ground and have only a small chance of recovering after Christmas. Even so, the roots should be soaked in water and then the tree potted in moist earth to stop needles dropping.

Root-balled trees should also be potted in moist earth and kept damp, and might well grow in the garden.

Growing the trees has become a fine art – and can be more profitable than growing corn. However, there are risks involved with a crop that can take eight years to reach harvesting height. Good-quality trees also need to be fertilised, weeded, protected from rabbits and sheared into shape.

About 1.25m of the trees sold in the UK this Christmas will have been imported from Belgium, Denmark and the Netherlands. UK exports are small and go mainly to expatriates in the Middle and Far East.

However, the growers' association has not ignored 1992 and the advent of the single European market. It hopes to set up a European federation of Christmas tree growers next year and to attack the potential of the Portuguese, Spanish and Greek markets.

A rosy vision for the jaded commuter

Kevin Brown on how Network SouthEast is investing in a better passenger service

MR CHRIS Green, director of British Rail's Network SouthEast division, says his job feels more like riding a tiger than a train.

Mr Green, a congenial high-flying 45-year-old who may be a future chairman of BR, believes railways are entering a period of renaissance in which his division will play a leading part.

Right now, he is loudly trumpeting the fact that Network SouthEast is adding 600 seats a week to capacity, and that the division plans to invest £1.46bn over the next five years.

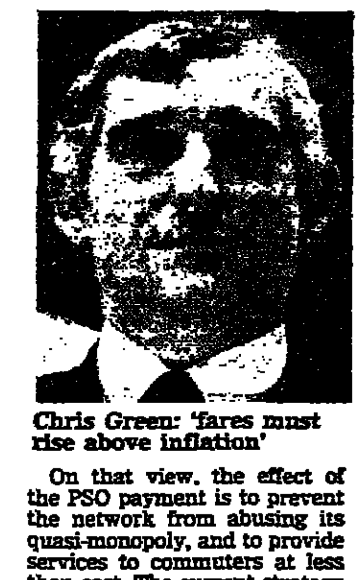
Demand is so strong that peak-hour traffic has increased by 19 per cent since 1983, to 458,000 passengers a day last year. In the current year, the network expects to carry 467,000 peak-hour passengers, beating the previous record of 465,000 set in 1970.

Mr Green says that represents an ideal opportunity for the network to get into a virtuous circle in which extra customers justify higher investment in quality of service, which attracts still more passengers.

More controversially, it will also help further to reduce the network's subsidy from central government. The subsidy has already fallen from £350m in 1983 to £165m this year, and a fall to £35m is planned by 1992 (in current prices).

Mr Green says he sees the subsidy, known as the Passenger Service Obligation (PSO) payment, as a means of subsidising passengers rather than British Rail.

He points out that since the network has a dominant 40 per cent of the London commuting market and is only in competition at the margins with the other main transport modes (London Underground 35 per cent and cars 14 per cent), it could move into surplus at any time simply by raising prices.



Chris Green: 'fares must rise above inflation'

On that view, the effect of the PSO payment is to prevent the network from abusing its quasi-monopoly, and to provide services to commuters at less than cost. The current strategy is to eliminate the subsidy gradually through a combination of increased passenger numbers and above-inflation fare rises.

There is no timetable for the process, which could be interrupted or accelerated by privatisation. But the likelihood is that commuters will continue to be cushioned by subsidies until the mid 1990s.

Mr Green's strategy is bound to to face criticism from commuters, many of whom find his rosy view of the railway at odds with their daily experience of delays and discomfort.

The critics are likely to be led by the Central Transport Consultative Committee, the statutory BR watchdog, which has already complained that cuts in the PSO are damaging services.

There will be similar angry complaints from, among others, Mr Trevor Morgan, a surveyor working in the City of London, who kept a detailed record of his daily journey over two months from Walton-on-Thames, in Surrey, to London.

FIVE-YEAR PLAN FOR NEW TRAINS			
Year	Route	Coaches	Seats
1987-88	Thameslink	184	18,580
1988-89	Bedford-Moorgate	56	5,040
1988-91	Anglia	384	29,952
1988-90	South-west	48	3,744
1989-90	Stansted	20	1,250
1990-91	Waterloo and City	20	800
1990-92	SE London	700	60,000
1990-92	Kent	280	21,450
1992-93	Fen. St/Southend	100	8,250
1989-92	Thames and Chiltern	242	Undecided
1992-93	Waterloo/Exeter	78	Undecided

Source: Network SouthEast

Mr Morgan, who sent copies of his findings to Sir Robert Reid, chairman of BR, and the FT, reports a catalogue of cancelled or overcrowded trains, lack of staff, and odd incidents such as this on Thursday, September 13.

"12.45 train leaves at 1.0 because of no guard. The driver forgot to stop at Walton and went straight through to Weybridge."

Mr Morgan told Sir Robert: "There can be few companies in the world that provide such an appalling service to their customers."

Mr Green concedes that it is risky to generalise about services on such a large railway as the network, particularly since trains and signalling systems last up to 40 years, so that some people are always travelling on lines using older-than-average stock.

He also points out that many of the problems facing the network would disappear if peak demand could be spread more widely, instead of being concentrated on trains arriving in London between 8.15 am and 8.45 am.

His strategy is to concentrate investment and management attention on the three areas that he says will benefit customer "at the bottom of the pack."

These are:

● Overcrowding. The increase in demand has brought an extra 70,000 commuters a day on to the network after 14 years of continuous decline. Two four-coach trains are planned to enter service every week for the next five years, adding just under 147,000 seats to capacity.

The net increase in capacity will be lower because of withdrawal of some older stock. However, BR as a whole has slowed down its disposal programme and the network is planning to modify and refurbish some existing stock.

● Reliability. Mr Green claims reliability is improving steadily, in spite of the increasing number of customers. The proportion of trains arriving within five minutes of scheduled time is up from 90 per cent in 1984 to 92 per cent last year, and cancellations have fallen from 1.9 per cent to 1.3 per cent.

However, the improvement has been much better on a handful of showpiece lines such as the Great Northern from King's Cross to Peterborough and Cambridge, where punctuality is up from 79 per cent to 95 per cent over the last three years, and cancellations down from 9.7 per cent to 0.3 per cent.

Mr Green says the lesson of that is that the network has to concentrate investment on total modernisation of individual routes. Next in line for this treatment are the Chiltern Line from Marylebone (£60m in 1989-90); the Great Eastern from Liverpool Street (£68m from 1988 to 1992); and the London Tilbury and Southend Line (£150m from 1991 to 1993).

The network is also depending heavily on current negotiations between BR and the trade unions to allow it to ease severe staff shortages by paying significantly higher wages to staff in the south-east.

Many of delays and cancellations to trains come about because of personnel shortages caused by low pay, which makes recruitment difficult. Many of those who do take BR jobs find the shift work and often unsocial hours unacceptable, leading to a rate of staff turnover of between 10 and 20 per cent a year.

● Off-peak services. This is a key area for Network SouthEast since every seat filled in the off-peak reduces the subsidy required for peak services and helps to justify new investment.

Several marketing initiatives – the one-day Capitalcard, the Network Saver and the Network Card – have helped to boost off-peak travel by 23 per cent in the last two years, and further growth should be stimulated in January by the merger of the Capitalcard with the London Underground's Travelcard.

There is one further element of future planning that has not yet been brought into the open – the recommendations of the Central London Rail Study, drawn up by officials from BR, London Underground and the Transport Department, and now on the desk of Mr Paul Channon, the Transport Secretary.

The report takes the form of a number of options, mostly for Underground investment, but also for significant new rail capacity such as further cross-London routes – one example is the recently opened Thames-link service which is now proving successful after a problem-plagued start.

Route guidance system planned for motorists

By Kevin Brown, Transport Correspondent

THE Government yesterday published details of its proposals for the introduction of route guidance systems for private cars, and changes in driver licensing and motor cycle training.

The Road Traffic (Driver Licensing and Information Systems) Bill will give the Transport Secretary powers to authorise the establishment of guidance systems on either a local or national basis.

A demonstration system, known as Autoguide, has been operating between Westminster and Heathrow Airport since April under the joint control of the Transport Department and private companies.

Autoguide uses a network of beacons to pass traffic information through infra-red beams to cars fitted with a mini-computer.

The bill also provides for the integration of private driving licences with the vocational licences required by drivers of heavy goods vehicles and buses. This will bring the UK into conformity with a move towards a common licensing system for the European Community.

The other main provision is a requirement for motor-cyclists to take a training course before riding on the road unaccompanied. Mr Peter Bottomley, the Roads Minister, said that would help to reduce deaths and injuries.

Minister rejects Channel link compensation call

By John Mason

THE Government yesterday dismissed calls for further special compensation for Kent residents affected by the Channel tunnel rail link to London.

Mr Michael Portillo, Minister of State for Transport, said in a Commons debate on the link that normal compensation arrangements would apply, apart from ex gratia payments by British Rail to some people unable to sell their homes. Compensation would not be paid for increased noise nuisance if Channel tunnel traffic increased beyond present forecasts, he said.

BR forecasts of the traffic volume using the link are among the lowest projections and Kent Tory MPs fear trains might eventually run all night.

"People who live near railway lines must expect trains to use them and take the risk that the traffic may increase," Mr Portillo said.

British Rail was expected to announce the final choice from the three possible routes by early next year, he added.

Head of ITN and Marley chief executive to be IBA chairman

By Hugo Dixon

THE NEW CHAIRMAN of the Independent Broadcasting Authority is to be Mr George Russell, chief executive of Marley, the building materials group, and chairman of Independent Television News.

The Government intends that he should become the first chairman of the Independent Television Commission, which is to take over the role of regulating independent television from the IBA and the Cable Authority.

Mr Russell, who is 53, will take over at the IBA from Lord Thomson of Monifieth, the former Labour minister, who retires on January 1 after seven years as chairman.

An industrialist with a reputation for turning round companies, Mr Russell will be overseeing independent television at a critical time in its history.

Last month's Broadcasting White Paper envisages that independent television companies will have to compete more vigorously for franchises. There will also be competition from satellite television channels.

Mr Russell said yesterday he was unsure whether the Government's plan for increasing the number of television channels would lead to a deterioration in quality. "More TV will mean more; it's very hard to say if it will be worse or better."

However, he thought that the extra competition would create certain difficulties for the ITV companies. "It's not going to be easy. The brickbats are going to fly over the next two to three years."

Mr Russell's experience in broadcasting goes back to the late 1970s, when he was appointed a member of the IBA board. He ceased to be a member in 1986 but became deputy chairman of Channel 4 last year. Six months ago, he became the first person from outside the television industry to chair ITN. He is credited with encouraging a more entrepreneurial attitude at ITN.

The post of IBA chairman is part-time and carries a salary, now under review, of £37,360. Mr Russell is expected to resign from his Channel 4 and ITN posts but will continue as chief executive of Marley.

Sir Richard Attenborough, chairman of Channel 4, said yesterday: "Looking at television as a whole, I cannot think of a more appropriate appointment."

In the early 1980s, Mr Russell was responsible for the merger of Alcan Aluminium and British Aluminium to form British Alcan Aluminium. He has presided over a revival in the fortunes of Marley since he joined the company in 1986.

Mr Russell, who was born in Gateshead, County Durham, is married with three daughters. He admitted yesterday that he rarely watched television himself.

Manufacturers Hanover repays Libya bank funds

By Raymond Hughes, Law Courts Correspondent

MANUFACTURERS Hanover Trust Company, a US bank, has paid a subsidiary of the Central Bank of Libya $18.45m (£9.94m), frozen in London since early 1986 because of President Reagan's anti-terrorism sanctions against Libya.

The High Court had been due to hear a claim by Umma Bank for return of the money. MHT had claimed that if it released the funds it would breach US law.

Umma Bank's London solicitors, Frere Cholmeley, said the money had been paid after the US Treasury had granted MHT a licence to prevent the case from going to judgment in the English courts.

The High Court yesterday ordered MHT to pay Umma Bank's legal costs.

Frere Cholmeley said it had been confident that the US sanctions could not affect MHT's liability to pay out – "but it is a pity that it had to go to the door of the court before it was resolved."

MHT could not be immediately contacted for comment.

In September last year Libyan Arab Foreign Bank, another subsidiary of the Libyan central bank, won a High Court ruling that it was entitled to be paid $292m of deposits frozen in the London branch of Bankers Trust by the sanctions.

The court then ruled that the freeze imposed by President Reagan on Libyan funds in US banks did not extend to their London branches.

Bankers Trust had intended to appeal, but the next month was licensed by the US Treasury to pay the money.

In July this year, Libyan Arab Foreign Bank was refused immediate judgment on a $41m claim against MHT. The judge ruled that the facts in the case were not identical to those in the Bankers Trust case. The action is due in court in January.

Panel looks at takeover rule changes

By David Waller

THE TAKEOVER Panel, the City of London watchdog on bids and deals, is setting up a working party to see whether its rules on takeovers should be altered.

The move comes three weeks after businessmen at the Confederation of British Industry annual conference complained that their companies could be taken over far too easily by foreign predators.

The six-strong committee will be chaired by Lord Rockley, vice chairman of Kleinwort Benson and a leading City merchant banker. It will include a representative of the CBI, which is a panel member, and two or three other individual panel members.

The committee is likely to meet for the first time in the next fortnight. Although its formal brief has not been made public, it will address among other matters the proposals made by Mr John Banham, director general of the CBI, at the confederation's conference.

He urged that shareholding which triggers a mandatory bid should be dropped from 29 per cent to 15 per cent, that companies should be allowed to give "golden shares" to their institutional shareholders to prevent a bid and that every bidder should be required to issue a detailed prospectus spelling out its plans for the development of the company.

Mr Antony Beevor, the panel's director general, said it would be premature to discuss details of the working party at this point. "But if people come to the panel urging it to look at these points, it is right that we do so."

Mandarins turn to Roame to pick winners

David Fishlock on Britain's attempts to give R&D some international consistency

MANY SCIENTISTS and entrepreneurs are finding their proposals foundering on the rocks of a new Whitehall hazard called Roame.

It is an acronym for five tests that Department of Trade officials are applying to evaluate research and development proposals.

DTI SUPPORT FOR SCIENCE AND TECHNOLOGY	£m, 1988-89
Collaborative (inc. Link and Eureka schemes)	94
Single company (incl. Smart)	32
Technology transfer (and other innovation-linked activities)	70
Advisory	34
Research establishments	51
Aeronautics R and D	27
Aeronautics launch aid*	113
Space*	79

* Not yet subject to Roame statements

The DTI spends about £500m a year on its R and D programme. For the past four years a growing part of this programme has been the subject of a rigorous process designed to test it in the light of government objectives to ensure that more publicly funded R and D can be translated into national wealth. Currently about £200m of the investment is being tested in this way.

"What we're trying to do is bring some realism into this programme," says Dr Ron Coleman, chief engineer and scientist with the DTI. It is a message he has just given his opposite numbers from eight other countries at a workshop he organised in London.

Within the DTI they talk of "Roame statements" and whether a wheeze has secured an acceptable one. A "Roame statement" seeks to justify the case for public cash and sets out at the start the criteria for success against which the R and D will be judged. It also helps Dr Coleman's project managers to maintain a consistent approach in providing support.

In the past year, confidence in Roame statements has grown to a point where all new programmes and projects under the DTI's own control must pass the test to be funded. The Roame acronym summarises these tests:

● Rationale – why should the DTI support the proposal at all?

● Objectives – does the proposer know where he is going?

● Appraisal – are the details consistent with the overall rationale and objectives?

● Monitoring – how is progress to be followed?

● Evaluation – how and when will the programme be finally evaluated?

Britain, Dr Coleman believes, pioneered the idea that public support for R and D with a commercial objective should be tested rigorously for relevance and for the efficiency with which it is spent.

The DTI set up a science and technology assessment unit as long ago as 1980, when only about 9 per cent of its budget was devoted to the support of innovation. By 1984 it began tentatively to apply its ideas, through Epic, its evaluation and policy improvement committee.

The Alvey programme of research support for information technology has been evaluated from the outset, although the DTI has used an academic partnership to audit the programme.

Today, promotion of innovation accounts for a third of the DTI's budget. Evaluation is considered central to getting value for money from the activities listed in the accompanying table.

Dr Coleman is confident enough of the DTI's methods to discuss them with other nations, in the hope of persuading them to adopt similar evaluation schemes. He wants the methods extended to international programmes and projects.

As he points out, to gain the most from international R and D programmes, they should be complementary with national programmes. He believes it must be helpful to have broadly consistent methods of weighing those programmes.

At his workshop in London, Dr Coleman tested Britain's ideas for R and D programme evaluation against those of eight other nations – Canada, France, West Germany, Japan, the Netherlands, Italy, Sweden and the US – as well as the European Community.

It was Dr Coleman's idea to invite the other countries to London to exchange ideas. The 40 senior officials and government representatives – not academics – who came agreed on the need for some kind of evaluation, preferably an independent evaluation. Dr Coleman says: "Everyone has got to make choices, even the US."

Those at the workshop learned that, if the US pursues the two most ambitious projects exciting its science community, namely the Superconducting Super-Collider and the Human Genome projects, there will be few research dollars from government left over for anything else.

There was a surprising degree of unanimity about the need to pick a higher proportion of winners in government support for industrially-oriented R and D. The representatives also agreed that international programmes needed to be evaluated. The EC is doing so in the case of its latest biotechnology programme.

But the representatives know they still have a long way to go before they break down the barriers that led one official to say there was no way his government would permit such an evaluation of its space programme. It was simply driven by a political decision to be in space.

Warning on credit reform

By David Barchard

A CLASH between the Trade and Industry Department and Sir Gordon Borrie, Director General of Fair Trading, is looming over departmental plans to reform consumer credit licensing.

Sir Gordon has warned the department that its proposals may hurt consumers and enlarge the scope for abuse.

The department is studying ways to overhaul the system in force for the past 10 years.

On October 26 it published proposals to end universal licensing for all businesses except those directly involved in moneylending and consumer hire. These are expected to become the basis for legislation on consumer credit.

Sir Gordon's reply comes in a nine-page memorandum to the department in which he says he is deeply concerned at its proposals for a new system of controls for money and credit brokers.

These would make licensing in many cases obligatory only after a business had been found to be engaging in irregular practices.

Trend in venture capital 'against mid-sized funds'

By Charles Batchelor

THE British venture capital industry is undergoing its first large-scale structural change since the arrival in the early 1980s of numbers of independent venture funds – those not linked to a larger financial group – businessmen were told in London yesterday.

Ms Susan Lloyd, managing director of Venture Economics, a specialist consultancy, told the British Venture Capital Association/Financial Times Financial Forum that the industry was segmenting into larger and small funds. The larger ones avoided early-stage investments and technology-related investments, and small funds were starting to focus on specialised areas of investment.

The response of the venture capital funds to the changes had been to become more actively involved in the companies they backed; to increase the emphasis on originating deals as opposed to just joining deals that had been put together by other funds; and to market themselves more carefully, she said.

As the industry developed and more of its funds went into management buy-outs and buy-ins, it became more difficult to define what venture capital actually was, she added.

In spite of increased investment in buy-outs, and concerns that the industry was moving too far away from its original role of backing young ventures, there had been no decline in the absolute sums of money the industry was putting into early-stage investments.

Ms Lloyd warned against comparing venture capital in the UK too closely with that in the US, where early-stage and technology-related investment continues at high levels. British funds had learnt important lessons from their US counterparts, but the business environment was very different and it would be wrong to try to emulate the US experience.

The difficulties British funds were experiencing in raising new capital meant it was likely that less money would be raised this year than last in the UK. About £420m had been raised so far and the likely total for the year would be £500m, she said. That was lower than estimates of a month or so ago that 1988 would see the record £708m raised last year being matched.

However, funds invested were expected to increase to £1.4bn in 1988 compared with £1.1bn last year.

Among issues facing the industry, she cited the growing dominance of the bigger funds; the impact of the newly created US-style funds providing "mezzanine" finance (high-yield loan capital) for buy-outs; and the continuing reluctance of larger British companies to invest in venture capital.

Forecast says 1989 deficit will top £12bn

By Ralph Atkins, Economics Staff

THE UK's current account next year will be more than £12bn in the red, according to the latest average of independent forecasts compiled by the Treasury. Economic growth will moderate while inflation falls.

The suggestion is in the average of forecasts, which appears to point to a "soft landing" for the UK economy.

The consensus is based on 11 forecasts by City securities houses and institutions such as universities, the Confederation of British Industry and the Henley Centre for Forecasting. Most are dated October or November.

The consensus is for the current-account deficit to reach £12.4bn this year before falling slightly to £12.2bn in 1989.

Treasury forecasts, published last month in the Autumn Statement, predict a current-account deficit of £13bn this year, falling to £11bn in 1989.

For economic growth, the consensus is for a 4.4 per cent increase this year and 2.5 per cent in 1989. Inflation is expected to fall from an annual rate of 6.4 per cent in the last three months of this year to 5.2 per cent in the same period next year.

The Treasury also compiles an average of nine forecasts by City security houses. This is slightly more pessimistic about the current-account deficit, predicting £13.3bn this year and £12.5bn in 1989.

However, the City economists are more optimistic about inflation, forecasting an annual rate of 4.7 per cent in the last three months of 1989.

Ulster investment consultant jailed

By Our Belfast Correspondent

MR WILLIAM Alan Mitchell, 33, a Northern Ireland investment consultant, was jailed for seven years in Belfast yesterday after pleading guilty to the theft of almost £300,000 of clients' money.

Mr Mitchell, of Ballyclare, County Antrim, admitted 16 charges of theft and one of attempting to obtain money by deception.

Belfast Crown Court heard that none of the money had been traced and an estimated £1.3m was outstanding.

The offences came to light in 1986, when a retired police officer who invested £12,000 contacted the fraud squad.

Mortgage lender lifts interest rate

By David Barchard

HOUSEHOLD Mortgage Corporation yesterday announced that it had raised interest rates on its standard mortgage scheme from 12.85 to 13.75 per cent. The new charges will be applied from next month.

HMC became the first large mortgage lender to announce an increase in its rates reflecting the latest increase in base rates from 12 to 13 per cent. The rate is equivalent to an annualised rate of 14.6 per cent.

A discount of 0.5 per cent will be applied on all new mortgages between January and May next year.

However, Chase Manhattan, the second lender to announce an increase, has held its rate down to 13.45 per cent, up from 12.7, a level the bank described as "extremely competitive."

The larger building societies have indicated that they may wait until after Christmas before announcing any increase to their rates.

The move is expected to take rates from 12.75 per cent to 13.5 per cent.

● Portman and Wessex building societies, both based in Bournemouth, are to merge, creating a society with assets of more than £1bn, putting it among the top 25 societies. No staff will be made redundant as a result of the merger.

Aberdeen University 'facing bankruptcy'

By David Thomas, Education Correspondent

ABERDEEN University may go bankrupt unless it receives £5m in emergency public funding, an official report said yesterday.

The report was commissioned jointly by Aberdeen University and the University Grants Committee, the body responsible for channelling government funds to universities, in an attempt to solve one of the most serious financial crises to have gripped a higher education institution.

Segal Quince Wicksteed, the financial consultancy which wrote the report, concluded that *without corrective action* the university would build up debt at the rate of more than £2m a year.

That would imply that Aberdeen would then "to all intents and purposes be insolvent."

The report blames high costs and low research income for the university's predicament. It says: "This is clearly an untenable position not only for itself and its staff and students but also for the UGC and ultimately the Government."

The UGC is urged in the report to give the university special financial help of £5m, starting with £2m this year.

The extra money would be conditional on the university carrying out a number of actions, including strengthening its management and financial control arrangements, and producing a plan designed to eliminate its financial deficit.

Mr George McNicol, the university's vice chancellor, while *welcoming the report, said yesterday* jobs losses of up to 35 academic and related staff would be necessary.

The university is already in the middle of shedding 130 academics. That would leave it with altogether 486 academic staff.

The UGC will consider the report next month.

Coventry pipes project

GEORG FISCHER, the Swiss engineering company, is to invest £9.4m in an operations centre for its pipes systems division in Coventry, writes John Wicks in Zurich. Construction of the centre will begin before the month's end.

The centre will be linked to the group's plant in Bedford and Huntingdon and to the Swiss distribution centre in Schaffhausen.

It will handle pipes-systems products and trading in precision-steel tubes. Hitherto, the group worked from seven sites in the UK on this activity.

Rich come to the aid of the party

Michael Pinto-Duschinsky on the fall in corporate Tory donations

HOW DID Conservative Central Office raise £9m to finance the June 1987 general election campaign as well as an additional £6m to meet the party's routine annual expenses? The national Tory campaign was the most expensive in real terms since 1964 (when Sir Alec Douglas-Home narrowly lost to Harold Wilson) and the third most costly in British history.

The mystery deepens with the recent publication of the Conservative Party accounts for 1987-88 and with the appearance of company annual reports for the period.

The Central Office accounts show that Lord McAlpine, the Conservative Party treasurer, and his team collected £15,013,000 net of fund-raising costs towards the £15.6m spent nationally on the election and on the routine costs of the party headquarters and area offices.

That compares with £9.4m raised during the 1983 general election. If fund-raising costs are included, central Conservative income and expenditure in 1987 was probably £500,000m higher.

On past performance, one might have expected most of the money to have come from large public companies. However, it now emerges that they supplied a surprisingly small percentage of the total.

A Labour Party survey of the annual reports of more than 1,300 public companies and financial institutions (in which political donations over £200 must be declared according to company law) reveals donations to the Conservatives and funding bodies of £3.85m.

That was only a quarter of *the amount* collected for the Conservative headquarters and was less in real terms than the sums raised from among 1,300 companies in the two previous general elections, when the Central Office campaign budgets were far smaller. In 1979, companies included in a similar survey provided half of Central Office income.

A more extensive survey of 6,000 public and private companies to be published *shortly* by the Labour Research Department (a separate body from the Labour Party) will show a slightly higher total donated to the Conservatives. That leaves more than £10m still to be accounted for. Slightly over £1m came from Conservative constituency associations and there was a small profit (possibly £100,000) from an industrialists' briefing service.

The Conservative treasurers' department was notably successful in collecting money from family-run enterprises, professional partnerships and from individuals (whose political contributions *need not be* declared).

The increasing opportunities for wealth creation under Mrs Thatcher's administrations had encouraged the trend towards individual giving.

Like other parties, the Conservatives do not issue lists of large donations but party sources have indicated that payments of over £250,000 were received.

These as yet undisclosed gifts were considerably larger than the highest corporate donations listed in the accompanying table.

The Conservatives asked for money through a direct mail appeal to British Telecom shareholders. By summer 1987, direct mail had raised £750,000 (net of costs) in small and medium-sized contributions. However, the return to the *old-fashioned* method of appeals for large individual subscriptions seems to have been the most significant feature of Conservative fund-raising in 1987.

While large companies failed to increase the value of their political payments, the trade unions stepped up their political levy fund expenditures. *Thanks to the unions*, Labour's central routine and election income in 1983-87 was over a fifth higher in real terms than in 1979-83. Unions paid £8m to Labour Head Office in 1987 (80 per cent of its total income). *Some £3.5m came from just* two unions – the Transport Workers and the General and Municipal Workers.

The significance of union money is all the greater when account is taken of their addi*tional political payments to* regional and local Labour parties and candidates, to the loss-making News on Sunday (to which the TGWU contributed £1.875m in 1987) and to a separate campaigning organisation, *Trade Unions for* Labour.

The Transport Workers' overall political levy spending in 1987 was £4.7m (£4.17m net of administrative costs). That exceeded the combined political contributions of all the 1,300 companies included in the Labour Party's survey of political donations. The 1,300 companies paid a declared total of £4.06m, including *£3.85m to the Conservatives* and allied organisations, £70,000 to the Alliance and £134,000 to the Economic League, AIMS and the Centre for Policy Studies.

Total political levy fund spending by trade unions in 1987 exceeded £14m, £11.8m of which came from nine unions. (Some unions have not yet filed political levy accounts with the Certification Officer and it is therefore not possible to give the total spent by all the unions combined).

The £14m plus spent from union political levy funds in 1987 compared with £5m in the election year 1979 and £9m in 1983. The increase was achieved *in spite of a fall* in the number of union members contributing to political levies from 8.1m in 1979 and 6.1m in 1983 to 5.55m in 1986.

The fall in union membership, the financial difficulties *facing* such traditionally prominent unions as the mineworkers and the trend toward amalgamation of unions have combined to make the role of the Transport and General Workers' Union and the General and Municipal Workers' Union even more crucial.

In 1987, the Transport Workers not only co-ordinated and staffed Trade Unions for Labour but paid for a third of Labour's general election fund.

The Transport Workers have reacted to their falling membership by sharply increasing the rate of the political levy from each member. Political levy income in the TGWU rose from 29p a member in 1977 to *£2.60 a member in 1987, a four*fold increase in real terms.

Had the political battle been determined by union versus large company contributions, the Labour Party could have mounted a far more expensive election campaign than the Tories. Labour tried to supplement its income from non-union sources. Constituency payments to Head Office (£900,000m in 1987) nearly matched those of Conservative constituency organisations to the centre, and Labour raised £500,000 from direct mail (compared with the Conservatives' £750,000).

Labour, however, could not begin to compete with the Conservatives in large individual donors.

The trend towards large personal contributions to politics was seen also in the Alliance. In particular, the Social Democratic Party suffered a sharp reduction in its income from membership subscriptions and turned for support to Mr David Sainsbury to help compensate.

The author is senior lecturer in government at Brunel University.

CENTRAL PARTY INCOME AND EXPENDITURE 1984-87 (£m)

INCOME	Con	Lab	Lib	SDP
1984	4.3	4.2	0.5	0.8
1985	5.8	4.9	0.6	0.95
1986	2.9	6.1	0.6	1.1
1987	15.0	10.0	n.a	n.a.
EXPENDITURE				
1984	5.6	4.2	0.5	0.7
1985	5.5	4.8	0.5	1.05
1986	7.5	6.2	0.7	1.1
1987	15.6	11.3	n.a	n.a

Opposition parties' income and expenditure include state grants to parliamentary parties. Conservative income and expenditure is net of fundraising costs. Includes routine and general election items

Engineering employers to seek strike-free agreement

By Charles Leadbeater, Labour Editor

ENGINEERING employers plan to suggest that the industry's unions should sign a long-term agreement, aimed at minimising industrial action, as a condition for a significant phased reduction in the working week.

Senior officials of the Engineering Employers' Federation and some union leaders believe the unions will have either to agree to talks, which would link reductions in working time to changes in working practices and collective bargaining, or call a ballot on industrial action over the issue.

The EEF is expected to make the suggestion that reductions in working time should be linked to a commitment to avoid industrial action, should the Confederation of Shipbuilding and Engineering Unions agree to negotiations on its claim for a reduction of the working week from about 39 hours to 35 hours.

The unions submitted the claim for a cut in working hours as part of their 1988 pay claim. Talks over the claim are due to resume on December 14, when the unions will respond to the EEF's offer of a 5.1 per cent rise, with no reduction in working time.

Long-running talks which linked a reduction in working time to the introduction of more flexible working practices, and simpler collective bargaining procedures, collapsed last year. The EEF did not raise the possibility of a strike-free clause then.

However a senior Federation official, commenting on the prospects for talks over the working week, said: "The unions are not starting from the same position, and we would not be either."

The idea of a long-term strike free agreement has been raised by a recent five-year agreement in the Swiss engineering industry, which is subject to "absolute industrial peace."

Under the agreement companies are able to agree flexible working hours ranging between 35 hours a week and 45 hours, with the average at 40. The agreement gives unions joint decision-making over the length of the working week.

It also stipulates that companies must introduce an employee involvement scheme, and it recommends that employees should be allowed to retire at 60.

● Unions at BICC, the cable manufacturer, are to ballot their 3,500 members on industrial action over the company's plan to move away from national collective bargaining within the company.

The ballot could be a crucial test of how far unions may be able to resist employers who plan much more radical decentralisation of bargaining over pay and conditions.

Under the plan the company would negotiate pay outside the national power workers' negotiating committee.

All 1,500 employees of the UK subsidiary of Zurich, the Swiss insurance company, are to be given a general pay increase of 11 per cent from January, writes Jimmy Burns. Employees in the south-east are to have regional allowances raised by 6 per cent, while part-time workers are to given access for the first time to mortgage assistance and pension schemes. The deal is thought to be the first in the current financial services pay round. Mr Francis Hall, Zurich's chief executive, said the pay move had been prompted by the need to retain and recruit skilled staff in an increasingly competitive market.

Co-op alters staff badges after alarm over threats

By John Gapper, Labour Correspondent

WOMEN shop workers in some branches of the Co-operative Retail Society are to be allowed to choose whether their surnames are used on uniform badges because of fears that they could be exposed to harassment by customers.

An agreement allowing women workers a choice of badges at store in Crawley, West Sussex, was reached after 22 women members of Usdaw, the distributive trades' union, objected to a requirement for their surnames to be displayed on badges.

The agreement is likely to be used by Usdaw to press other retailers for flexibility on the issue. A growing number of shop workers is required to wear identifying badges as part of better customer service programmes.

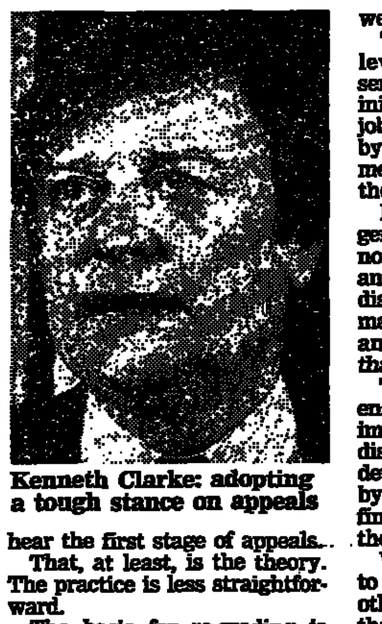
The union is also worried at the practice in some supermarkets of the check-out operator's full name being printed on till receipts.

Usdaw said yesterday that a member at the Crawley store had been told that a customer who became angry with her might trace her name in the local telephone directory.

Entangled in a chain of command

Michael Smith follows the grading process which has angered nurses

THE message could hardly have been clearer. In a circular to staff earlier this month, Trent Regional Health Authority said that instructions on nurses' gradings had been received from the Department of Health and should be observed.



Kenneth Clarke: adopting a tough stance on appeals

Talk to the Health Department, however, and its message is that it has given no instructions on the re-grading exercise which has caused protests throughout Britain. It says it has provided merely guidance and clarification.

The difference of interpretation of the Health Department's role highlights the complicated chain of command in the National Health Service. It has contributed to the confusion over the 17.9 per cent pay award.

In an organisation which employs 1m people, areas of authority are sometimes blurred. It is not always clear whether control is being exercised by the Government, the regional health authorities or the districts beneath them.

In theory, the role of the Government in NHS personnel matters is advisory. The Department provides the £24bn needed to fund the NHS annually and answers to Parliament for its running. But it has no direct control over staff.

That is provided by the 14 regional health authorities in England and their equivalents in Scotland and Wales. They in turn devolve powers to the district health authorities.

It is the districts which have played the biggest part in deciding grades under the new *structure. They have* determined what disciplinary action to take against those taking protest action, and they will hear the first stage of appeals.

That, at least, is the theory. The practice is less straightforward.

The basis for re-grading is laid down by the 1988 review body for nursing staff, midwives and health visitors. Problems have arisen because of what unions consider to be Health Department guidance breaching earlier agreements on grading.

The unions say the guidance interpreted higher grades too narrowly. They believe the department set a limit on the cost of the grading exercise before assessments were completed. That in turn forced regions to put some nurses in grades lower than those to which they were entitled.

Ms Jill Hale, regional officer for the Cohse health workers' union, says several districts in *the north were required* by the Northern Regional Health Authority to revise their gradings. She says cash limits were partly to blame.

The charge is denied at all levels of the local health service. As in all regions, the initial assessments of nurses' jobs in the region were made by their hospitals. The assessments were then reviewed by the district and region in turn.

Mr Douglas Hague, regional general manager, says: "We did not give indicative figures (of an overall percentage rise) to districts. We felt that would be making the shoe fit the foot and we did not want to do that."

The job of the region was to ensure that the structure was implemented consistently in all districts, says Mr Hague. The detailed work was undertaken by the districts. When they had finished the region looked at the numbers in each grade.

When the numbers seemed to be at variance with those in other districts, Mr Hague says, the region asked questions on individual gradings. As a result some grades were changed, and there were some upward revisions.

Newcastle District Health Authority was one of those which changed its submission to the region. Mr Keith Gooden, director of manpower, says that was because the criteria changed with the issue of supplementary guidance.

Mr Gooden says it was this health department guidance that led to gradings being altered, rather than cash limits. "It was nothing to do with money," he says.

Many health authorities tell the same story. But union leaders point out that health authority chairmen are appointed by the Government and that authority board members are either appointed or approved by the Government.

Because of this, they say, it is unlikely that authority members or their officers would want to challenge the Health Department in public.

If the degree of government pressure on health authorities over grading is unproven there is little doubt that the Health Department is playing an active role in guiding the conduct of appeals against the restructuring.

In the wake of industrial action after the disclosure of new grades, both Mr Clarke, Health Secretary, in statements and the Health Department in formal guidance insisted that appeals should be heard only if staff were not involved in protests.

According to Trent's memorandum to staff, the Department has also instructed that any changes of grading should only be done after consultation with the regional health authority and the Department itself.

As the appeal process gets under way, it is apparent that health authorities are taking different stances on how the appeal should be conducted.

Some authorities are hoping to consider appeals on a test case basis whereby batches of applicants would in effect be heard together.

Most are conducting appeals on a case-by-case basis. The the Department of Health believes that to be the best way to proceed.

It seems inevitable that the Department will produce fresh guidance on this and other issues. Given the recent history of the gradings dispute it is likely that most health authorities will interpret the messages as instructions.

Hotels association seeks improved staff benefits

By John Gapper

HOTEL and catering employers are being urged by their trade association to adjust employment policies to cope with recruitment and retention problems.

Two changes are being suggested by the British *Hotels, Restaurants and Caterers* Association to meet the fall in the number of young people.

The first is to adjust recruitment patterns towards older workers. A recent wages survey carried out by the BHRCA *suggested that about 27 per* cent of workers in hotels and restaurants are under 21.

The second is to build more fringe benefits into the employment conditions of existing workers, such as profit-related pay, pension and share owner*ship schemes so that they* are more likely to stay with an employer.

One reason for the high rate of staff turnover in hotels has been the tradition of staff moving among employers to get promotion.

The BHRCA is a trade, rather than an employers' association, and has no direct control over employment patterns in the industry.

Mr Robin Lees, BHRCA chief *executive, said yesterday that* a number of hotel chains were now re-evaluating employment policies. Most wanted to avoid having to cut service levels because of a lack of trained staff.

Police told to recruit more from ethnic minorities

By Jimmy Burns, Labour Staff

POLICE forces are being urged by the Commission for Racial Equality to increase recruitment and promotion of ethnic minority officers.

The call follows the publication yesterday of a survey commissioned by the CRE which found a disproportionately small number of such officers, particularly in higher ranks.

The report by Dr Robin Oakley, Senior Research Fellow at the Centre for the Study of Community and Race Relations, states: "There remains an urgent need to find and to disseminate ways of increasing the recruitment of black officers if the composition of Britain's police force nationally is to reflect that of the society it serves."

He recommends that forces make wider use of ethnic monitoring, introduce special career development training programmes, and revise *promotion methods*. His report urges Chief Constables to consider secondments from overseas forces.

Employment in Police Forces. Commission for Racial Equality, Elliot House, 10-12 Allington Street, London SW1E 5EH.

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Transatlantic differences

THE FINE-TUNING of economies is enormously difficult. Yet that is increasingly what governments find themselves doing. Their return to fine-tuning has been motivated by declining faith in monetarism, but it is not underpinned by an equivalent reconversion to Keynesianism. It carries the risks necessarily attendant upon tinkering with engines that one does not profess to understand.

The US and the UK now appear to face remarkably similar difficulties. In the supposedly democratic US the responsibility for fine-tuning falls on an unelected official, Mr Alan Greenspan, chairman of the Federal Reserve. In the UK the responsibility falls on a politician, Mr Nigel Lawson. How have these two very different policy-makers been faring?

So far as the instruments of policy are concerned, the two share almost complete dependence on monetary, rather than fiscal policy. In the US the reason for the absence of fiscal flexibility is the stalemate between the Administration and the Congress. In the UK, however, the unwillingness to adopt fiscal fine-tuning is rather a matter of ideological conviction.

The US and the UK also have in common the deficits in their current accounts. Indeed, the UK has surpassed the US in the ratio of the current account deficit to gross domestic product: in the former it is running at only a little under 4 per cent; in the latter it is now below 3 per cent.

Cautious policy

But there are also striking differences between the two countries, one of the most interesting being the much more cautious monetary policy of the US (despite ostensibly similar levels of underlying inflation). In the US the rate of interest on federal funds is now 8¼ per cent, as against a base rate of 13 per cent in the UK. The corresponding real rates of interest (deflating by the rise in the price of output in general) are 3¼ per cent in the US and 7 per cent in the UK.

The economic reasons for the very different monetary policies of the two countries are to be found in their labour markets, in their monetary performance and in the different degrees of financial fragility.

Labour earnings have risen in the US by a little under 4 per cent over the past year. In the UK the corresponding figure is 9 per cent (and rising), by far the highest rate of wage inflation among the significant OECD countries. Monetary growth has also been remarkably different. Just as with wages, broad money growth in the UK has long been the fastest among the significant OECD countries, at round about 20 per cent a year. In the US, by contrast, broad money has risen by a mere 6 per cent over the past year and narrower measures by less.

Finally, the Federal Reserve is deeply concerned about the financial fragility of the American economy. In the UK, by contrast, the buoyancy of wages may still echo problems of the past, but business is now in an incomparably better position to cope with a financial squeeze (including higher exchange rates) than between 1979 and 1981 (to take the obvious parallel).

International dimension

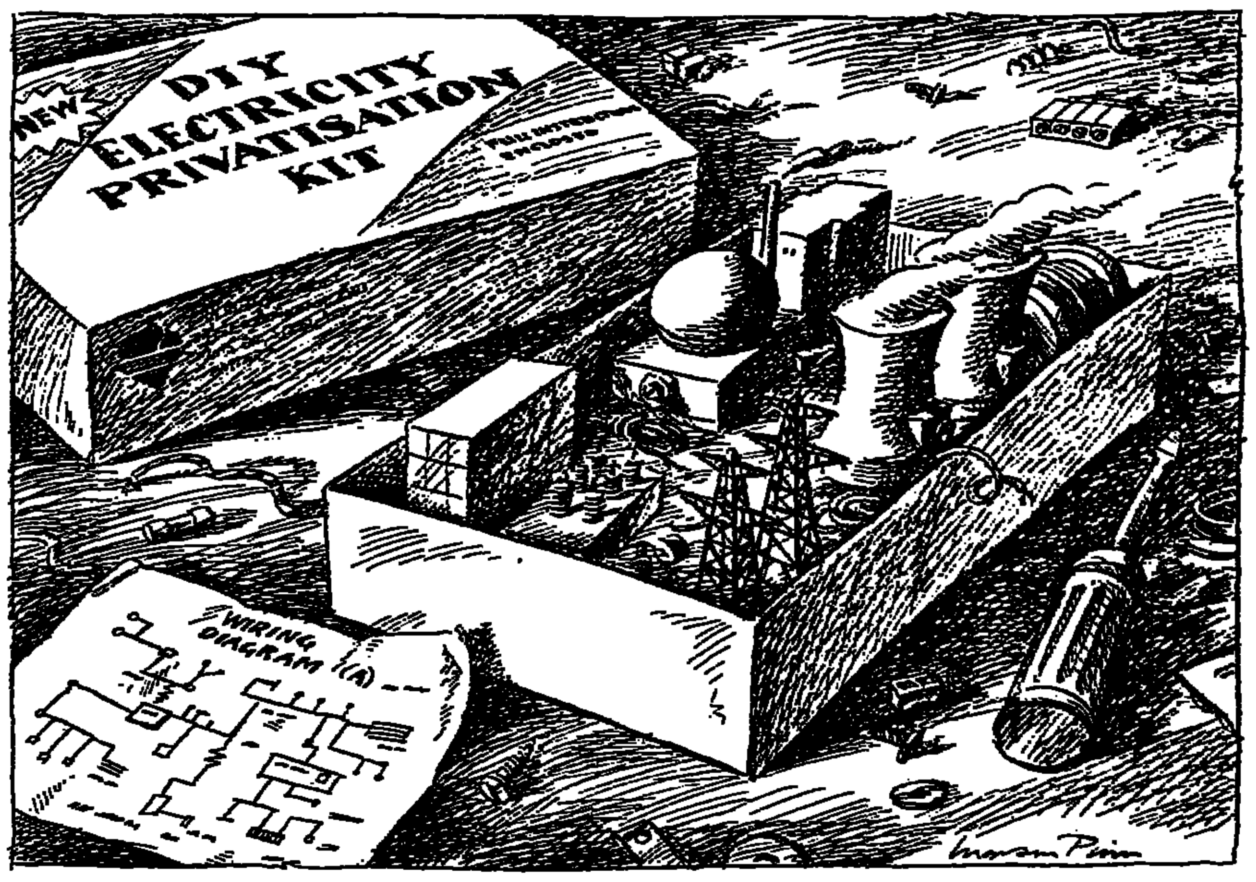
All this goes far to explain the policy differences between the two countries. But there is also the international dimension. When the US is in difficulties, it seems as if it is the rest of the world that has a problem. Not only would a recession in the US be immensely damaging, but, for that very reason, the other countries are always expected to rally round. It was presumably this awareness that lies behind the indication from the US Treasury of its desire for a meeting of the G-7 shortly after the inauguration of Mr George Bush.

Mr Lawson is in a far more lonely state. Few people abroad would mourn if the UK were taken down a peg or two. Mr Lawson must frequently feel that the same is true at home.

The Chancellor's judgment, reiterated this week, is that inflation is the touchstone for policy. He is right, but if so he has taken many risks in recent times. In hindsight, monetary policy was far too lax from October 1987 until early this summer. The penalty has been the severe monetary tightness of today. But, given the profitability of British business and the recent pace of demand, he has had no alternative. Monetary policy had to be tightened and the exchange rate had to be allowed to appreciate.

So the pilots of the US and UK have taken very divergent paths in their attempts to achieve soft landings for their two respective economies. In the case of the US the risk today looks to be an underestimate of the inflationary danger. In the UK, by contrast, 1989 may well turn out to be a year of sharp recession. In both cases, unfortunately, fine-tuning could still go very wrong.

Max Wilkinson provides a guide to UK electricity privatisation



How to play the power game

Q. ELECTRICITY works perfectly well at the moment. If the Government wants to sell it, why split it up so elaborately?

A. Britain has one of the most complex and technically efficient electricity systems in the world. However, the present arrangement, under which the Central Electricity Generating Board produces all the power and 12 separate area boards sell it, has long been recognised as unsatisfactory. It meant that the people building power stations were far removed from dealings with customers. Since the CEGB could pass on all its costs, it was encouraged to over-build and failed to keep a tight enough rein on construction costs. The Government aims to remedy this by dividing the CEGB's power stations between two companies, establishing an independent national grid which will allow independent generators to plug into the system, and by transferring the responsibility for ordering new power supplies to profit-making electricity retailers created from the 12 area boards.

Q. What will the new companies actually do?

A. The old CEGB is to be split into three parts: two generating companies and a National Grid Company. The grid is to be functionally independent, though owned by the successors to the area boards. It will be in charge of bulk transmission of power. It will switch on power stations, taking the cheapest first as demand varies, and will conduct bidding systems to determine which power station should come on line next. It will also arrange a complicated system of payments to the owners of the plant and those who hold contracts for its output. The larger of the generating power companies, National Power will own 70 per cent of existing plant, including the nuclear stations. The smaller, PowerGen, will own the rest. The 12 area boards will become licensed supply companies serving particular areas. They will buy most of their power from the generating companies, and will be under an obligation to meet all reasonable demand. Their prices will be strictly regulated. However, generators and supply companies will be able to compete for the custom of larger industrial companies in a wholesale market where prices will not be controlled.

Q. Isn't this a giant leap in the dark? Will it make blackouts more likely? Should I buy my portable generator now?

A. It certainly is a bold experiment since no other country in the world has tried such a large scale split between generation and distribution to customers. Many countries – including the US, Japan and West Germany – have private electricity companies, but they are mostly regulated monopolies serving a particular area. Because of the need for very close technical co-operation in any electricity system, its high capital costs and long-term risks, no one knows how competition will work out.

But the lights will not go out, at least not very often. The national grid remains in charge of the system and will be able to order any power station to start up when needed. Area supply companies (the retailers) will suffer penalties if they fail to meet demand in their areas.

However, the surplus of power plant is likely to run out soon after privatisation, so the industry will have to start building again fairly soon. This will be the first test of the new system.

Q. Will I as householder or business-man be able to play one competing supplier off against another?

A. Yes, the Electricity Bill says you may telephone any electricity company in the land and ask it to supply "Mon Repos." The national grid will be bound to transport the power and your local electricity company must make its wires available to get the power the last few miles.

But don't rush for the Yellow Pages: you will not get a very good price unless you are a moderately large consumer. And no one (except a very small outfit) may sell you electricity without a licence. If you are a medium to large company, however, shopping around for power could be attractive, especially if you have a stand-by generator for emergencies. Licences should be readily available in this case. Very large users are likely to buy in the wholesale market; by dealing direct with generating companies, they may achieve very keen prices close to short run marginal costs.

Q. Does this mean that large businesses will benefit from competition, but smaller customers will have to bear the burden of higher costs – including those of the nuclear programme?

A. Yes, smaller customers will pay more, partly because it is expensive to serve households which all want lots of power on a cold December evening, but hardly any on a summer's day. Smaller users must pay for the spare generators needed to ensure that supplies can be maintained. Industrial users with back-up generators will be able to negotiate more flexible contracts and exploit economies of scale. The Government has decided that the cost of the nuclear programme will be spread among all customers.

However, there is a serious danger that the biggest users will be able to use unfair negotiating muscle to pick off the cheapest sources of power, leaving the captive customers with the dross. This has been the subject of big arguments in the US. The answer is to make sure that all prices including transmission tariffs are close to actual costs. But this is extremely difficult, so the new regulator for the industry will need horse sense as well as sound analysis.

Q. What does the privatisation tell us about the economics of nuclear power?

A. Nothing new. Nuclear economics are dominated by the cost of capital, because nuclear stations are almost twice as expensive as a coal-fired plant (though much cheaper to run). In the nationalised industries the cost of capital is assumed to be 5 per cent in real terms, but the private sector will demand perhaps 8 per cent or 10 per cent. Since the outlook for coal prices is weaker than a few years ago, nuclear power in the UK has lost its competitive advantage.

Q. Then why is the Government pressing ahead with nuclear power stations?

A. Partly sentiment. Britain was a pioneer in nuclear engineering. After some expensive failures, the new Pressurised Water Reactor programme is thought to have a chance of "getting it right." But the main argument is that nuclear power is an insurance policy against disruptions of coal supplies or price surges.

Q. Will there be lots of little power stations all over the country instead of a few big ones? Is this a good thing?

A. Distribution companies will probably want to reduce their capital commitments and risks by building smaller power plant. An efficient modern gas turbine a tenth of the size of a big coal-fired unit costs much less and is quicker to build. These smaller plants tend to be less polluting and easier to site near large populations. They can be particularly suitable for use in peak periods, so there is a good argument for shifting the balance towards smaller plant for some years. However, in the longer term big plant is likely to be more economic, so long as construction costs can be contained. Privatisation would be a failure if it biased the industry unduly against large projects, as appears to have happened in the US.

Q. If lots of companies compete to sell us electricity, what are our chances of achieving conservation next time there's an energy crunch?

A. At present the industry has every incentive to sell more electricity and little incentive to help conserve it. The proposals are unlikely to change this quickly, though Section 3 of the Electricity Bill gives the the new regulator the duty to promote "the efficient use of electricity." Until the licences are published it is not clear how this will be done. It might be that some supply companies will find selling insulation more profitable than signing up for extra power stations.

Q. Will electricity prices actually fall in real terms as a result of all this?

A. Electricity prices will rise by about 7 per cent in real terms over the next two years because of the need to improve the industry's rate of return in advance of privatisation. Thereafter, downward pressure on coal prices, manning levels and construction profits should reduce costs. We shall not know, until the regulatory formulae are published, how much of this will be creamed off initially as profits. In the long run prices should move downwards.

Q. How strong will the regulator be? Is this a confession of mistakes on the British Telecom and British Gas privatisations?

A. The regulator is given very wide powers, which are backed up by the Monopolies Commission as in the case of gas and BT. Given the greater complexities of the electricity industries, it was inevitable that the regulator should have very strong powers. But yes, the Government does seem to have learned from past mistakes.

Q. Which outside companies will benefit?

A. Twenty or more outside companies are now looking at the possibility of entering the power generation market, but whether any of them actually builds a plant or makes a profit depends on the details of contractual terms which will not be agreed until next year. Independent power suppliers are likely to seek up to 80 per cent of their finance from bank loans. This means they must obtain secure long-term contracts for their output.

Q. How will the market actually work?

A. Immediately after privatisation, the system will operate very much as it does now. Instead of the CEGB selling all its output to the 12 boards, the new supply companies will have contracts for power from individual power stations. The grid company will switch on power stations in order of cost as it does now, and complex book-keeping will be needed to find out who gets paid for what. The contracts will be arranged by the Government so that every supply company gets roughly equal profit. After a few years, supply companies will start signing up new contracts and differences in performance will appear, though prices to end users will reflect average costs throughout the system. Although supply companies will be free to negotiate with generators, the whole process is likely to closely controlled by the regulator. A recognisable spot market might eventually develop, but initially generators will share out benefits of the power market between them, rather than passing them on to customers.

Q. What will it look like in 20 years?

A. No one knows yet where this revolution is leading: it might bring in a bustle of competition, with a lively spot market, and perhaps even competing suppliers in towns and industrial estates. The main generating companies might diversify into quite different activities. Or they may see off smaller competitors so that the system settles into a more collusive utility. Much will depend on the details of regulation and pricing of transmission. Some of the supply companies will go under and be swallowed up by more successful neighbours. The Government will use "golden shares" to protect companies for a while, but is unlikely to prevent all mergers.

Q. Should I save up for electricity shares?

A. No, not until the Government has worked out how the risks are to be apportioned between the shareholders of the different companies, consumers and taxpayers. The fine print of contracts and regulation will show this. No doubt the companies will be gift-wrapped for investors, but beware: electricity supply is not as safe as some other monopolies, because expensive capacity can be left stranded by a slowdown in demand. Many investors in US electric utilities have suffered in recent years.

Investor in the News

Son of Sid comes of age with British Steel

By Richard Donkin

It is more than two years since the elusive Sid was employed to woo Britain's television viewers in advertisements for the privatisation of British Gas. The once anonymous embodiment of a vast army of private investors – 5m strong at the time of the TSB flotation – has since emerged as a distinct type, confident and committed to a stake in the public flotations.

Although there are exceptions, the evolutionary process seems to be moulding a dominant type, a sort of son of Sid: a sensibly dressed, white-collar, male home-owner in his 30s or 40s with a modest mortgage and spare cash. The privatisation issues have been good to him, but the investment in his home has been even better.

Sid could still command 4.4m supporters for the British Gas issue, but mass desertions at the time of the BP issue, which coincided with last year's stock-market crash, left a confused and disillusioned band of 247,000. The Sids were keeping their heads down.

As members of Sid's old guard emerged nervously from Lloyds Bank in Bishopsgate yesterday, there was a hint of Jaws II, investors confronting a sliding stock market just when they thought it was safe to go back in the water.

Today's Sid (or Sidney, as Lord Young, the Trade and Industry Secretary would have it) is made of sterner stuff than the stay-aways sitting on their 300 TSB shares. For some it took a certain amount of British grit to buy British Steel.

For Mr Brendan Owen, a 32-year-old technical manager with a small computer company in London, the decision to lodge a joint application with his wife was simple. He says: "Shares have served me well up to now. I never stag the issues. I think it is better to hold on to them. British Steel looks a good investment, but I have no intention of selling them straight away. I don't have the sort of access to the market that could get me the best early price, anyway."

His shareholdings, now worth about £4,000, include an issue made by his company to employees. Otherwise they comprise other privatisation issues which he reckons have grown in value by between 50 and 60 per cent overall.

He and his bank clerk wife have no children and live in Luton in a semi-detached they bought for £43,000 two years ago. If they sold today they think it would fetch £85,000. He gets his share advice from Teletex and doesn't buy newspapers – today's Sid has little time to read them.

Like most Sids questioned in a brief pavement survey, Mr Owen's first dip into the stock market came with the British Telecom issue almost four years ago. This proved a false start when his application was rejected because he applied for the wrong share multiple. Undaunted, and after reading the small print, he came back for TSB and British Gas.

Poised for BP, he held back at the last moment. Although his shareholdings took a dive in the crash, it did not dampen his taste for more, and he says he will be back again for electricity. Water privatisation is another matter: "I'm not entirely convinced about the justification for water."

The morality of privatisation appears important to Sid. While Mr Owen is "normally Tory," he said, "I think some of the things they are doing are a bit rash at the moment."

Mr Owen has a £30,000 mortgage – high enough to earn the maximum mortgage tax relief but not so large that higher interest rates are soaking up all his spare money. He does not use a stockbroker and, on the rare occasions he deals, he does so through the bank.

At 43, Mr Ray Holmes, an electronics engineer who works in London's West End, is in the mid-Sid age range. Clutching a copy of Which magazine, he had taken time out of work to make his last-minute application for British Steel shares. With a £30,000 mortgage, he can afford to dabble and has built a portfolio worth about £15,000. "I don't know how much of that is profit. I never work it out," he said.

Slightly untypically, he started dealing in shares before the BT launch, after winning a share-dealing competition at school. It was BT, however, that drew him into privatisation issues. "I wanted BT shares, but I was out of the country at the time of the issue," he said.

His portfolio contains TSB shares, a ubiquitous holding among Sids which tends to sit around waiting for something to happen. "I still think they could prove a good investment in the end, particularly if someone comes in for them, which is quite possible," said Mr Holmes, showing the typical Sid trait of optimism.

He tends to buy and keep his shares. "I bought 4,000 British Gas shares and sold 2,000. I wish I had kept them all. I use gas so I consider my shareholdings as subsidising myself. I also feel part of the company."

These are important considerations for today's Sids, who say they were attracted to the British Gas and BT sales by the bonuses of bill rebates or the extra 10 per cent share allocation after three years.

Mr Holmes is not a political Sid. He said: "I do not vote. I don't believe in any party, really. As someone who comes from Newcastle I believe the north-south divide exists and the Tory Party is not doing enough for the people in the north. I can't see me voting Labour; Neil Kinnock is the last man I would vote for. It might be the Liberal Party but they can't even decide what to call themselves."

He is a former trade unionist and a one-time branch secretary for ASTMS (now merged to form the MSF technical union). "I left in the early 1970s when the tail was wagging the dog," he said. "I don't believe it's up to the unions to tell management how to run companies."

He views his shares as part hobby, part investment and part retirement nest egg to supplement his opted-out pension. Shares discussions with other passengers while away the hour's journey into work, commuting from Northampton to Kings Cross. Asked to name the best investment he had ever made, Mr Holmes replied: "My wife."

هكذا من الأصل

Anthony Robinson reports on the row over right-wing white councils in South Africa

Testing the limits of apartheid

"THE CONSERVATIVE Party's performance in October's municipal elections is the best thing that has happened to blacks for years. It has forced us to wake up". So says Mr Sebo Mosimane, manager of the newly opened branch of the African Bank in the black township of Vosloorus. His attitude sums up a new awareness of black economic power which is sweeping through black and coloured communities in the wake of elections which turned surrounding white Transvaal towns like Boksburg, Brakpan, Springs and Carletonville into CP strongholds dedicated to the return to old-style apartheid.

When an equally significant white reaction against the consequences of the CP's actions is added to the picture, it suddenly looks as though the CP's success in gaining control of 90 town councils in the Transvaal and the Orange Free State could be a Pyrrhic victory.

The first clear indication of white disenchantment came this week when the CP candidate lost his deposit in the first ward by-election since the new council voted to bar blacks from the Boksburg lake and other municipal facilities. Over 80 per cent of the votes cast went to the "liberal" independent opponent who suddenly found himself riding a wave of self-interested indignation from white businessmen and traders and a growing feeling even among conservative whites that the council had gone too far.

To their dismay, and astonishment, the burghers of Boksburg and the other CP towns around Johannesburg have suddenly found themselves pilloried at home and abroad for bigotry and insensitivity and they do not like it. The pain is felt most keenly by the businessmen who risk losing the black trade which keeps them going. The opprobrium also extends to sport where the Rugby Board, the Cricket Union, the Swimming Federation and other sports bodies have cancelled competitions and matches until the CP councils climb down and open their sports facilities to all races.

The CP's unexpected discomfiture has also given renewed confidence to the ruling National Party. For the last two years the NP has been virtually paralysed by what many perceived as an impending Conservative Party landslide. This, it was feared, would wrest control of the Transvaal from the NP, including the capital Pretoria.

Although the CP did well in October, it failed to win Pretoria and had to be satisfied with control over a plethora of rural dorps and run-down mining and industrial towns east and west of Johannesburg. It is here that the CP is trying to give substance to its promises to turn back the clock 40 years.

But it has taken just five weeks for the party to come up against the reality it so studiously ignored in the passionate denunciation of the National Party from which the CP broke away in 1982. Reluctantly the NP was forced to admit that apartheid as dreamed of by Dr Hendrik Verwoerd was simply impossible to implement. Now these forces of reality, represented by people like Mr Mosimane, the bank manager, are also becoming clear to the CP.

Industrialisation and the effect the jobs it offered had on a rising black population have eroded the basis of apartheid. Despite all the panoply of apartheid legislation, millions of blacks left their impoverished "homelands" over the last three decades to flock to the townships.

Twenty years ago most blacks around the white reef towns were still either confined to single sex barracks or working as maids and garden boys. Most were unskilled, uneducated and badly paid. Many, probably most, still are. But growing numbers are not.

Many townships have been transformed from grim dormitories into vibrant communities, alive with sprawling new housing estates built to "white" standards with a thriving "black" economy of hawkers, repair shops, shebeens (bars) and the ubiquitous black-owned taxis.

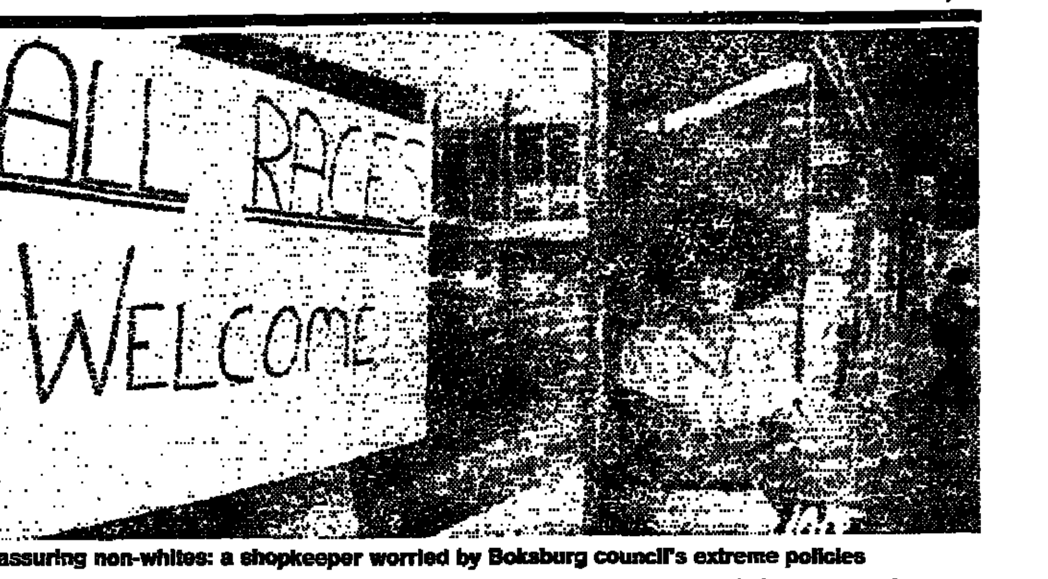
Much soul-searching has wracked these communities since two years of violent revolt, in which 2,500 blacks died, ended with the state of emergency in 1986. There is a new sense of realism about the strength of the white controlled state with its powerful army, its police force and its equally important power of patronage and co-option. Revolution is no longer perceived as being around the corner. Intellectuals like Mr Aggrey Klaaste, editor of the Sowetan newspaper, and a growing number of businessmen and professionals believe what lies ahead is a long struggle to acquire a better education, greater skills and a reduction in the present imbalance of wealth where blacks only own an estimated two per cent of the country's assets.

Seen against this picture, what is happening around Boksburg, about 30 km east of Johannesburg, represents a first attempt by organised black and coloured communities to challenge the power of white elected councils to continue treating them as second class citizens. For the first time the weapons are not the desperate politics of protest, but the determination of people with a new confidence about their own dignity, and money in their pockets to make their protest felt.

Instead of rioting in their own townships, the communities have boycotted white shops and businesses, and yesterday there was a peaceful demonstration by councillors at the lake from which non-whites have been banned. For the first time, black communities are using their own black taxi services to switch their collective purchasing power from CP controlled towns to non-CP towns. Their leaders are not what the government calls "radicals". The struggle is being led by the recently elected mayors of "coloured" Reiger Park and black Vosloorus. Both are young men determined to prove that working within government approved structures does not make them stooges of Pretoria.

These are early days. But it already seems clear that the municipal elections have had an unpredicted cathartic effect on the South African body politic. By attempting to reinforce apartheid the CP could well end up becoming a powerful instrument for its final abolition by highlighting the strength and effectiveness of black resistance. The National Party, white business, sporting and other bodies who have piled in with such gusto to attack the CP and revel in its unexpected embarrassment could soon find themselves faced with hard questions about their own record.

After all, the CP is only implementing laws like the Separate Amenities Act and the Group Areas Act kept in force by the NP government. And the NP's own local authorities, including Johannesburg itself, still keep segregated bus services, swimming pools and other facilities. Business, too, is often stronger on intentions than action in seriously upgrading its black employees. What is happening in Boksburg is already a significant skirmish in the long struggle against apartheid. But bigger battles lie ahead in the building of a non-racial future.



Reassuring non-whites: a shopkeeper worried by Boksburg council's extreme policies

Antony Thorncroft reports on a frenzied week of record prices in the saleroom

For the best pictures, the best prices

If any man deserved his glass of champagne it was the Honourable Charles Allsopp, chairman of Christie's, on Monday night. He had just stepped down from the rostrum after squeezing a record £55m in ninety minutes from a packed crowd of bidders and rubberneckers at the auction house's London rooms. Along the way he had also established a new auction record for an individual work of 20th century art when a sensitive but unfinished early painting by Picasso, Acrobate et jeune Arlequin, sold for £20.9m.

The sale comfortably exceeded Christie's modest forecasts of £40m, but it had been hard work keeping the momentum going, and selling the Picasso had been a close run thing. Christie's had raised its estimate on the work from £10m to £13m after two less decorative paintings by the same artist had set successive records at New York's big Impressionist and Modern picture sales earlier in November.

But then the hype got out of hand, with some commentators forecasting a price of up to £30m. Only a handful of collectors would be interested at that level and they were visibly absent on Monday. Christie's could have experienced an embarrassing failure. It was left to a shy Japanese bidder, obviously unused to the intricacies of the auction (at one stage he bid against himself), to rescue Christie's bacon at a price which satisfied everybody.

Christie's (and Sotheby's at its auction the following night) had much for which to thank Japanese buyers. They had not featured strongly as purchasers in New York. Since Japanese bidding for masterpieces has been the major factor behind the rise in fine art prices in recent years – mainly for Impressionists but also extending into Old Masters, contemporary art, and even western manuscripts – any reticence from this quarter could have had a disastrous impact.

But, buoyed up by the yen, the Japanese carried off many of the top lots in London this week. The Picasso went to Mitsukoshi, the Japanese department store, which may use it as a crowd puller – the leading Tokyo stores are the main galleries for important western art in Japan – but was probably bidding on behalf of a discreet collector. The top price the next night at Sotheby's – £5.72m, for one of Monet's decorative paintings of waterlilies – was also paid by a Tokyo shop, Seibu.

What must have reassured the salerooms was the growing sophistication of Japanese buyers' taste in western art. They began by concentrating on the pretty, easily accessible, early Impressionists: Renoir, Monet, and the like. But they are now tackling more challenging works. At Christie's a Japanese buyer paid a record £3.74m for a Giacometti bronze; another paid £1.65m, also a record, for Paul Klee's sombre painting Nekropolis.

Ten most expensive works of art sold at auction

Artist	Title	Date	Price £	Auction house
Van Gogh	Irises	11/11/87	30,000,000	Sotheby's New York
Van Gogh	Sunflowers	30/03/87	24,750,000	Christie's London
Picasso	Acrobate et jeune Arlequin	28/11/88	20,900,000	Christie's London
Monet	Dans la Prairie	28/06/88	14,300,000	Sotheby's London
Picasso	Maternité	14/11/88	13,674,033	Christie's New York
Van Gogh	Le Pont de Trinquetaille	29/06/87	12,650,000	Christie's London
Jasper Johns	False Start	10/11/88	9,406,896	Sotheby's New York
Picasso	La Cage d'Oiseaux	10/11/88	8,496,552	Sotheby's New York
—	Henry the Lion MS, 1173	07/12/83	8,140,000	Sotheby's London
Van Gogh	Paysage au Soleil Levant	24/04/85	8,140,000	Sotheby's New York

For exceptional pictures, the *salerooms are confident of* consistently high prices. As the table shows, four of the ten biggest sums ever paid for a work of art at auction have been reached in the last month. Sotheby's recent New York sales brought in $231.2m (£127m) and Christie's £111.7m. This week London has added £72m to Christie's turnover and around £63.5m to Sotheby's.

For the two auction houses this has easily been the most profitable month in their two hundred year histories. They take a 10 per cent premium from the buyer and slightly less from the vendor. To secure the sale of million pound pictures the two salerooms often compete by lowering their commission, but even allowing for this the London operations of the two main auction houses will each have brought in something around £10m in the past month.

The flood of record prices for individual artists has been astonishing – Bonnard, Fantin-Latour, Henry Moore, Munch, Magritte, Boudin, Sisley, Hockney are just some of the names that have set new saleroom highs. In the US Americans have competed furiously for post-war art, sending up the record for a living artist to $17m, for Jasper Johns' picture False Start.

None the less, only the very best pictures were attracting keen bidding in London this week. The number of unsold lots in the major evening sales was comparatively high, with 22 per cent by value "bought in" at Sotheby's and 10 per cent at Christie's. The good collection of paintings built up by the late Gisèle Beghin-Rueff and sold at Sotheby's was almost 30 per cent unsold: the reserves had been fixed in the summer and prices had not maintained the anticipated momentum. Sellers are getting greedy.

These are no more than wispy clouds in a bright landscape. What must concern *Sotheby's and Christie's*, however, is their dependence on the demand for Impressionist, modern and contemporary art. These now account for over 40 per cent of their turnover. At the moment demand is well spread internationally. The Japanese are picking up the slack left by the Americans whose weak dollar has reduced their dominance. The Europeans are good traditional collectors, and at last the British are bidding, at least for watercolours and drawings by the Modern Masters. Only a small proportion of the world's millionaires are collectors, so the auction houses have lots of scope for creating new converts to their belief in art's investment potential.

But the market is more febrile now. It is dominated more by fickle, relatively ill-informed collectors than by expert dealers, who cannot afford to buy the best at current prices. So sentiment depends on Sotheby's and Christie's maintaining the momentum and coming up with yet more masterpieces, yet more records. They have constructed for themselves a profitable but wearying treadmill.

LETTERS

BS could be mopped up

From Mr Edgar Palamountain.

Sir, The allocation of shares in the British Steel offer makes the commitment of the Government to wider share ownership look – once more – somewhat less than wholehearted.

The private investor is being offered 23 per cent of the issue in the first instance, with "clawback" provisions raising this to a maximum of 44 per cent in the event of heavy oversubscription.

Now these "clawback" provisions are a great improvement upon some earlier privatisation issues, and it may therefore seem captious to go on complaining.

But I still do not understand why one cannot go the whole hog and offer the entire British Steel issue to the British public, leaving the institutions and the overseas investors to acquire the shares they are presumed to want either through underwriting or by subsequent purchase.

There are, after all, some 9m private shareholders in the country, and the British Steel issue could well attract a million more. An average subscription of only £250 on their part would mop up the entire issue – and the most dramatic extension of share ownership to date would have been achieved.

Edgar Palamountain,
Wider Share Ownership Council,
Juxon House,
94 St Paul's Churchyard, EC4

'Best price' should prevail

From Mr Yugo Kovach.

Sir, Local councillors who flout their statutory obligations, as in Liverpool and Westminster, are mercilessly investigated and, in some cases, surcharged and disqualified.

Why is it that ministers of the crown are not similarly obliged to seek the best price when disposing of assets?

I have in mind the privatisation of British Steel, where the sponsoring minister has manifestly not sought to maximise proceeds. Instead, his priority is to promote the wider ownership of shares. Gladstone would have fulminated at his dereliction of duty – and as for the minister's motive, surely it smacks of social engineering?

My objection as a taxpayer would disappear if this particular promotional campaign was undertaken by, say, the Conservative party or the Institute of Directors.

All that these interested private parties need do in future privatisations is tender the highest bid and then offer the acquired shares to the public at a discount.

In other words, nothing less than the privatisation of the wider share ownership campaign is called for.

Yugo Kovach,
38 Lebanon Park,
Twickenham,
Middlesex.

Plain foolish or patriotic?

From Mr J.A. Sankey.

Sir, I am one of those who purchased BP shares in October 1987, and who is described as "innocent, gullible or plain foolish" by David Lascelles ("The weaving of a safety net," November 18).

Mr Lascelles notes in his article that 270,000 private individuals applied for a total of 17.7m shares – an average of 63 shares each.

The difference between cost of 63 shares at the issue price (330p x 63 = £207.90) and their value at today's price (243p x 63 = £153.09) is less than £55.

Indeed, if I had sold at the 1988 high (302p x 63 = £190.26), the loss would be less than £18 per investor.

No one likes losing money; but some of us, having filled in our application forms, thought it worth making a modest gesture of support for the British Government's share offer at a time of crisis, rather than worrying too much about whether we might save £55 (or £18).

Perhaps in future we might be described as patriotic rather than "innocent, gullible or plain foolish"?

J.A. Sankey,
The Athenaeum,
Pall Mall, SW1

Subject 'degradation'

From Mr Simon Blackburn.

Sir, Robert Jackson's reply (Letters, November 30) to Michael Prowse ("The pillage of UK philosophy," Lombard Column, November 24) should not pass unchallenged, and I hope you will allow me, as the original cause of the bother, to say why.

Mr Jackson correctly says that in his reply to me he sketched the actual mechanisms whereby the UK Government allocates funds to universities, and disclaimed responsibility for the internal decisions universities then have to make.

What he does not say is that this was never the issue. At no point in my original case did I voice any misunderstanding of those mechanisms, nor any desire to change them.

What I did do was point out the steep decline in my own subject, philosophy, over recent years. I contrasted this both with ministerial rhetoric claiming to value the humanities, and with our actual utility in educating people for rigorous flexible engagement with fundamental ideas. Rightly foreseeing that the Government would take no responsibility for decline in individual subjects, I pointed out how little choice universities have had, given the continuing cuts in income.

Mr Jackson admits to their "progressive degradation" (his words), but disclaims responsibility for the degradation of any individual subject, and I compared this to driving a car at someone and disclaiming responsibility for the particular injuries (on the premise that, after all, the victim could have adopted a different posture . . .).

As your columnist notes, the Minister's reply took up none of these issues, but largely consisted in attacking me as the "trade union" spokesman for a sectional interest.

If I do speak for an interest it is that of our children, who will have to cope with the future needs of the nation without an education comparable to the one our parents gave us.

Simon Blackburn,
Pembroke College,
Oxford.

From Professor Richard Lynn.

Sir, Michael Prowse (Lombard column, November 24) is severely critical of the Government for forcing the closure of philosophy departments in several universities.

The criticism is misconceived. We in our university closed down our philosophy degree a few years ago. The reason was that we had almost no applicants to read philosophy. Several other universities have had the same experience, and have responded in the same way.

There has been no coercion from the Government to close philosophy departments. The Government pays the universities an annual grant and the universities spend the money as they think fit. If there are no students wanting to read a particular subject, we generally consider that the most sensible thing is to close it down, and start up some other subject which students do wish to study.

Phasing out subjects for which there is no demand has not been confined to philosophy. In the last few years we have closed down our Russian and classics degrees for the same reason, and set up degrees in computing, electronics and accountancy, for which there is a strong student demand. If we had not done this, your Lombard columnist would really have had something to complain about.

Richard Lynn,
University of Ulster at Coleraine,
County Londonderry,
Northern Ireland

A favourite less than hot

From Mr George Brand.

Sir, As a former passenger of British Caledonian (BCal) I was amused to read that British Airways (BA) was having "difficulties" in merging BCal operations and bringing them up to BA standard of customer service.

Regular passengers living in Nigeria look on "the world's favourite airline" as a last resort.

George Brand,
73 Airoboyi Est,
Bifurun,
Bendel State,
Nigeria.

Iran and the case of Roger Cooper

From Mr Paul Cooper.

Sir, On December 7 my brother Roger Cooper will have spent three years in solitary confinement in Evin Prison, Tehran. On the day, a small group of his family and friends will commemorate his wrongful arrest in a peaceful fashion just opposite the Iranian Embassy in Princes Gate in London – supporters welcome.

He was arrested while working as a businessman, and it is appropriate to draw the attention of the business community to the facts of the case.

At the time of his arrest Roger was working for McDermott International, the oil services group, helping it to bid for a contract which had been put out to international tender. Although he has been vaguely accused of being a "spy", it is difficult to take the allegations seriously. If there were a shred of serious evidence against him he would have received a public show-trial long ago.

He has been held without trial or sentence, in breach of Articles 32 and 34 of Iran's very humane constitution. An appeal for a judicial review of his case by the Supreme Court, which I personally lodged in June, appears to have been ignored. He has not been allowed a lawyer – in breach of Article 35 – and as Article 37 rightly points out: "Innocence is assumed and no one may be considered guilty unless guilty is proven in an authorised court."

It is to be hoped that the welcome improvement in Anglo-Iranian relations may lead the Iranians to put this great injustice right before too long.

Article 14 in the Iranian constitution, quoting the Prophet, calls on "the government of Iran and all Moslems to conduct themselves with moderation, justice and equity towards non-Moslems and to observe their human rights." Justice is what everyone is entitled to expect from a state founded on Islamic principles. My brother has waited for it too long.

Paul Cooper,
59 Murray Road, London SW19

UK COMPANY NEWS

CLF agrees to Irish £88m bid

By David Waller

YEOMAN International, private asset finance company based in the Irish Republic, has made an agreed £88m cash offer for CLF Holdings, vehicle and equipment leasing group formerly known as Combined Lease Finance, which joined the stock market in 1986.

It is intended that the merged company, to be called CLF Yeoman, will be listed in London and Dublin, where it would be one of the market's top ten companies in terms of market value. Its capitalisation would be approximately I£185m (£154m) on the basis of the placing price for the new Yeoman shares.

Shareholders with 17 per cent of CLF's ordinary shares have given irrevocable undertakings to accept the offer, and institutions with a further 30.5 per cent have indicated their intention to follow the board's recommendation.

Both companies are relatively recent creations. Yeoman was founded in 1982 by Mr Paul Coulson, Dublin-based chartered accountant, and CLF was established in 1980 by Mr Tony Barnes.

Both have grown rapidly. Yeoman's pre-tax profits have risen from I£375,000 in 1975 to a forecast I£13.55m for the year to the end of February. CLF's 1987 pre-tax result was £4.6m against £428,000 in 1983.

After the deal, former Yeoman shareholders would own nearly 70 per cent of the new group's shares. Mr Coulson would be the largest shareholder with 16 per cent and an option to buy out another shareholder to take his holding to 33 per cent.

CLF shareholders are being offered 250p cash for each ordinary share, a 60 per cent premium to the suspension price of 156p yesterday morning. Alternatively, they can opt to take 50 per cent cash and 50 per cent new Yeoman shares.

The exit multiple for the full cash offer is about 14 times brokers' estimates for current year earnings. The new Yeoman shares have been conditionally placed with institutions in London, Dublin and Luxembourg at I425p per share, which brokers believe is more than 10 times expected earnings for the combined group in the year to the end of February.

Traditionally, shares in CLF and other London-quoted asset finance companies, such as Anglo Leasing and Baltic, have sat on prospective multiples of under ten. In Dublin, however, a company such as Woodchester Investments has enjoyed a rating in the high teens.

Mr Coulson said that he hoped the new shares would go to premium and sustain a higher rating than was normally the case in the UK, if only because CLF Yeoman would account for some 3 per cent of the Dublin market's entire capitalisation.

The two companies cited geographical and product synergies as the main reasons for the proposed merger.

CLF has tended to specialise in 'small to medium ticket' finance for low-value items over a short period of time. Yeoman's business is almost all 'big ticket' transactions, arranging longer-term asset finance for ships, mainframe computers and other capital goods.

The bulk of Yeoman's business is done in the UK, while Torquay-based CLF has already established a foothold in continental Europe. The idea is to grow into a large pan-European asset finance company before 1992.

Betacom offer response disappoints

By Philip Coggan

THE OFFER-for-sale of shares in Betacom, the telecommunications company, attracted a disappointing response from investors and 37 per cent of the issue was left in the hands of the sub-underwriters.

Cannon Street Investments, the industrial holding group, was selling a 70 per cent stake in Betacom as part of its long term strategy of floating its subsidiaries on the stock market. News of the disappointing response caused Cannon Street shares to fall 17p to 263p yesterday.

But according to Mr John Gregory of McCaughan Dyson Capel cure "the issue was priced before last week's trade deficit and was overtaken by events." He did not think it had been a mistake to launch the issue at the same price as British Steel. "There's always money for a good little 'un" he said.

Of the 20.17m shares on offer, some 13.17m were available to Cannon Street shareholders on a pro-rata basis. They took up around 9.2m shares, and with a further take-up of 3.5m from outside investors, the total number of shares applied for up was 12.7m.

At the offer price of 82p per share, Betacom was capitalised at £25.4m. Dealings in the shares will commence on December 9.

AB Electronics reports sudden deterioration in trading

By Anthony Moreton, Welsh Correspondent

THE FIRST sign from a large manufacturer that the Government's measures to curb inflation were having a depressing effect on industry came yesterday from AB Electronics, electronic systems assembler.

Mr Peter Phillips, chairman, told the annual meeting that trading conditions had suddenly deteriorated in October and November after holding up well during the summer.

"The general economic situation is pointing to a slackening in the rate of growth," he said. "The effect of increases in the rate of interest is now coming through and the big investment boom in industry, which has led to rising orders for us, looks as though it is beginning to fall off."

AB, which employs 5,500 people worldwide, doubled its pre-tax profit to £16.4m in the year to last June on a turnover up 16 per cent to £198.7m. The market had been looking for £19m to £20m pre-tax this year, but analysts now believe these figures are too high.

Mr Phillips said AB was still on a rising trend and consolidating its position as a worldwide player in the industry, but its rate of growth had been trimmed.

AB has been worst hit in its largest division, electronic assemblies.

Jaguar, an important customer, was already having problems and there was evidence that many of its other customers, which include Olivetti-Acorn, British Telecom, British Aerospace, IBM, Mercedes, General Motors, Ford and Boeing, were looking afresh at their needs.

Most of the fall in orders had taken place in the home market.

Mr Phillips said exports, which account for a little more than a third of turnover, had held up well, particularly to West Germany. There had also been growth in sales of new products to Germany.

AB has had to cut its workforce slightly and in the past few weeks it has sought, and obtained, voluntary redundancies through early retirement.

The change in outlook has come quickly. July and August, the first two months of the current year, were fairly encouraging, Mr Phillips said, and September was as expected. It was October's and November's results which led to the revised projections.

Mr Phillips believed the new situation could be turned to the company's advantage as it helped AB provide a better spread of activities. The electronic assemblies group accounted for almost half of turnover. Its share this year should be rather lower.

LBH will vote against unitisation

By Philip Coggan

LONDON & BISHOPSGATE Holdings, the private investment management company owned mainly by Mr Robert Maxwell and Lord Donoughue, has declared that it will vote against the unitisation of New Tokyo Investment Trust.

LBH wants instead to change the trust's investment policy to that of tracking the Japanese New First Section Index. In addition, shareholders would be given an annual opportunity to wind up the trust if its discount to net assets exceeded 8 per cent over a three-month period.

On Wednesday, New Tokyo said it would convene an extraordinary general meeting to discuss the LBH proposals and a possible unitisation plan. Mr Peter Arthur, New Tokyo's secretary, yesterday pointed out that the unitisation plan was only being proposed to give shareholders an alternative to the LBH proposals.

The EGM will be asked to vote on a proposal requiring directors to investigate a unitisation plan. Such a resolution, like the LBH proposal, would require a simple majority.

However, a full unitisation plan would automatically be defeated if LBH maintains its opposition. Such a proposal would require 75 per cent shareholder approval, and LBH owns a 27.5 per cent stake.

Triplex Lloyd in £34m merger

By Vanessa Houlder

TRIPLEX LLOYD, foundries and engineering group, yesterday announced plans for a £34m merger with Christy Hunt, castings, electro-mechanical services and car components group. It also announced pre-tax profits more than doubled to £2.96m (£1.34m) for the six months to September 30.

Mr Jim Doel, chief executive and deputy chairman of Triplex Lloyd, said there was an excellent commercial fit.

The amalgamation of the electrical services divisions would increase geographical and market coverage, product range and service support, he said. In the castings division, there would be benefits from pooling research and development resources.

Triplex Lloyd's gearing will increase to between 50 per cent and 60 per cent after the acquisition of Christy Hunt, which has gearing of 80 per cent. Mr Doel said this would be lowered by some divestments, including property, and the reduction of overheads.

The deal is the latest in a string of acquisitions made by Triplex Lloyd since 1985. The merger of Triplex and F H Lloyd in August 1987 effectively doubled the group's size.

Christy Hunt, which is based in Droitwich, Hereford and Worcester, has also made several recent acquisitions, most notably Deritend Stamping, casting manufacturer, for £48m in August 1987.

However, the board recently suffered a split due to personality and policy differences, which, Mr Doel said, prompted the agreement to merge with Triplex. None of the Christy Hunt directors were joining the Triplex board, he added.

The offer terms are two Triplex Lloyd shares for every five Christy Hunt shares. Following an 8 per cent fall in Triplex Lloyd's shares yesterday, the paper offer values Christy Hunt shares at 69p. There is a cash alternative of 70p.

After the announcement, Christy Hunt's share price rose from 52p to 69p. Triplex Lloyd's share price fell from 188p to 173p, valuing the company at £43.2m. Investors holding 26.3 per cent of the capital have agreed to accept the offer.

In the half-year, Triplex Lloyd increased turnover to £59.52m (£35.24m). Earnings per share advanced to 8.1p (6p).

An interim dividend of 1.75p (1.25p) was declared. A final dividend of at least 3.75p per share is forecast, making a total for the year of 5.5p (4.5p).

Stoddard Sekers falls to £1.4m

THE EXPECTED fall in Stoddard Sekers International profits due to the 75 per cent rise in Chinese raw silk prices materialised with a 27 per cent decline from £1.89m to £1.37m in the six months to September 30. Sales rose slightly from £37.74m to £38.31m.

The results from the Sekers companies, acquired in May, are included for the first time on a merger accounting basis and show a loss of £0.1m, against a £0.8m profit, on marginally increased sales. This side of the group is involved in the manufacture of silks and of furnishing fabrics.

The Stoddard companies, involved in carpet manufacturing, continued their growth and pre-tax profit rose 28 per cent to £1.4m on sales up 17 per cent.

Group earnings per 10p share came out slightly lower at 2.1p (2.2p). However, the board is confident that this is a temporary fall in earnings and has accordingly raised the interim dividend to 0.55p, up 10 per cent on the 0.5p previously.

An extraordinary item of £505,000 relates to rationalisation and closure costs within the Sekers companies. The group directors said that the *effects would benefit next year.*

Gearing at the end of the period was 70 per cent, after bringing in factored debts in Sekers. The directors warned that the second half was still troubled by silk prices.

Europa placing postponed

By Philip Coggan

Europa Minerals, the mining finance company, postponed its planned main market placing in the wake of stock market conditions.

A spokesman for Kleinwort Benson, the issue's sponsors, said that the postponement of the issue was nothing to do with the company. "The market's very difficult at the moment" the spokesman said.

The issue would have raised around £6m and given Europa, which operates three coal mines in the UK, a market capitalisation of £15m. Next week, Kleinwort will decide whether to hang on until the market improves or to seek some alternative method of financing.

Organic growth aids rise to £3.3m at Marling Inds

MARLING INDUSTRIES, manufacturer of industrial textiles and safety products, has increased pre-tax profits by 43 per cent from £2.33m to £3.33m in the six months to September 30. Sales rose 25 per cent from £29.95m to £37.57m.

The directors said there was significant organic growth in the period and increasing returns from recent acquisitions. This growth enabled an increase in the interim dividend to 1.2p (1p). Earnings per 10p share advanced to 8.88p, *against 6.43p adjusted for the* bonus element in the placing and open offer in August.

Cash flow remained strong and was adequate to fund the next phase of the capital investment programme. Gearing was at an historic low of 43 per cent.

The seat-belt webbing subsidiary experienced substantial sales growth, an additional contribution resulted from seat-belt legislation in Italy.

The directors added that the move into North America, through the acquisition in August of Collingwood, Canadian webbing manufacturer, was going very well.

Finlan pulls out of merger discussions

By Philip Coggan

Finlan Group, property and materials handling company, said it had been unable to agree a merger with Merchant Manufactory Estate Company, the property group, and had abandoned discussions.

Finlan also announced sharply higher interim pre-tax profits and an increased stake by communications group WCRS.

Pre-tax profits for the six months to September 30 advanced from to £2.01m (£620,000) on turnover of £26.6m (£12.6m). The interim dividend is raised to 2.2p (2p).

WCRS is converting a loan into Finlan shares, thereby raising its stake to 10.5 per cent. This could increase to 18 per cent depending on profits of Midtown, a property company which Finlan acquired from WCRS this year. Mr Peter Scott, chief executive of WCRS, is joining Finlan's board.

Finlan failed to gain the agreement of the MMEC board for a none-for-one share offer, but retains a 9.9 per cent stake.

Huntingdon climbs 25%

HUNTINGDON International Holdings reported full year taxable profit 25 per cent higher at £11.19m, against £8.93m, to the end of September. Turnover increased from £44.09m to £60.53m, a rise of 37 per cent.

Directors said that the increasing influence of the engineering services sector, largely through acquisition, was hitting margins in the short-term.

After tax of £2.33m (£2.23m) earnings per 5p share were 20.8p (16.5p) and the directors are proposing an initial single final dividend of 2.25p. The company, which provides biological safety testing services and engineering services, came to the market in March 1987.

Quantum Fund lifts stake in TV-am

By Fiona Thompson

Quantum Fund, the offshore mutual fund managed by Wall Street financier Mr George Soros, has increased its stake in TV-am, USM-quoted breakfast television station, from 6.9 per cent to 9.8 per cent.

Quantum bought 1.9m shares on November 23, giving it a total holding of 6.5m shares. The 1.9m shares were part of the 14.9 per cent holding in TV-am sold by Mr Alan Bond, Australian entrepreneur. The rest of the Bond stake went to institutional holders.

The shares Quantum holds are disenfranchised because they are non-EEC, Mr Stratis Zographos, TV-am's finance director, said yesterday. Also 9.8 per cent is the maximum stake Quantum may hold.

Melton Medes increases British Syphon holding

By Andrew Hill

MR NATHU Ram Puri and Melton Medes, the private industrial group he heads, yesterday announced a further increase in their stake in British Syphon Industries.

They now hold 12.9 per cent of the merchanting and manufacturing company, which is the subject of a management buy-out offer at 155p a share. Melton Medes and Mr Puri held less than 5 per cent until the beginning of last month when the stake was increased over the disclosable level to signal their disapproval of the offer.

Mr James Philpotts, chief executive, said Melton Medes was holding out for a better price.

He said Melton Medes — which has been buying shares at around yesterday's closing price of 160p, up 1p — was not considering a full bid at this stage, but numerous options were available.

Electra Investment Trust, which holds 10.6 per cent of British Syphon, said yesterday that it was still studying the offer and the company's recent performance, particularly that of East Lancashire Paper Mill, which Electra considers to be one of the most important assets.

Ashley recovery

Profits of Ashley Group continued to recover in the 11 months to August 27 1988.

After an exceptional debit totalling £134,000, pre-tax profits came to £116,000, against a £42,000 loss in the year to end-September 1987. Earnings per 5p share were 0.61p (0.07p). There is again no dividend.

Since its year end, Ashley has undergone a substantial share capital increase, installed four new directors, purchased Digsa, Spanish food distributor, and disposed of its Capitol Batteries business.

Pro-forma net tangible assets amount to £27m.

Spirax-Sarco buy

Spirax-Sarco Engineering, maker of steam speciality products, is to acquire Erwel, a Canadian company in the same field, for C$11.6m (£5.3m) cash. Toronto-based Erwel at completion is expected to have net assets of C$2.9m.

Kelt stays on attack

KELT ENERGY yesterday said the defence of Carless, fellow oil independent, against its £208m hostile bid was based on "mere hope" following Carless' announcement on Thursday that it was in talks with a third party, writes Clare Pearson.

Mr Hubert Perrodo, Kelt chairman, said: "I wait to see whether Carless is confident enough to announce a firm offer next week or whether shareholders will find their choice next Thursday is between 115p cash and mere hope."

He added that Carless' forecast of earnings of at least 4.1p for the current year did not appear to take into account the costs of its abortive merger with Ryan International in October and of the Kelt offer.

Marina more than trebled

Demand for its marina services in all areas helped Marina Development Group report interim taxable profits more than trebled at £1.69m, against £510,000.

Earnings per 50p share were up from 5.1p to 7.1p and the USM-quoted marina owner is paying its first interim dividend of 2p.

Turnover for the six months to the end of September was £456,000 lower at £4.49m resulting from the sale of the boat sales and boat repair activities. Directors said the decision had had a positive impact on profits while resulting *in only a marginal fall in* turnover.

Profits from the disposals formed the major part of extraordinary credits this time of £22,000.

There was an exceptional profit of £89,000 (£309,000) resulting from a lease premium and an interest credit of £250,000 (£293,000 debit).

The current high level of occupancy provided the basis *for satisfactory future results,* the directors added.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Cranswick Mill §......int	1.85†	–	1.85	–	5.55
Marina Develop §......int	2	–	–	–	1
Marling Inds ......int	1.2†	Jan 18	1	-	3.3
Stoddard Sekers ......int	0.55†	Jan 19	0.5	-	2.25
Wood (SW) ......int	2	Feb 24	nil	-	2

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market.

Mansfield advances 11%

MANSFIELD Brewery, has reported pre-tax profits 11 per cent higher at *£3.73m for the* six months to September 30.

The brewer, which last year sold its troubled Mandora St Clements soft drinks business to AG Barr, Scottish drinks manufacturer, has been seeking to revitalise its activities which in last year's first half showed a decline in pre-tax profits on the previous year.

Turnover was £37.3m (£33m) with the wholesaling of bought-in drinks contributing to the 13 per cent rise. Last year's fall in beer volumes had been arrested, said Mansfield.

Earnings per share rose to 15.4p (14p) and the interim dividend is unchanged at 2.25p.

SW Wood up to £792,000

Profits jumped from £406,000 to £792,000 at SW Wood in the six months to September 30 on turnover ahead to £37.45m, against £12.22m.

The company has achieved a strong recovery since it reversed into Braemar Commodities in September 1987. Its three divisions are in metal trading, aluminium smelting and property development.

Tax this time took £145,000 (£131,000), after which earnings per 20p share surged to 8.3p (3.5p). An interim dividend of 2p has been declared.

The main part of earnings is usually generated in the second half and the directors are confident that full-year profits *will comfortably excede last* year's record £1.5m.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. date	1988 High	1988 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
-	F.P.	-	7	3	Amalgamated Fin. Wrnts.	5	-1	-	-	-	-
§20	F.P.	-	26½	21	‡Apollo Watch Prods. 5p	25½		b0.45	3.0	2.4	17.2
-	F.P.	-	74	55	BTR Warrants	60	-3	-	-	-	-
§200	F.P.	-	210	185	‡Bletchley Motor Grp.20p	190		R7.5	3.3	5.4	7.4
§154	F.P.	-	158	155	Dawsongroup	155	-1	R4.75	2.6	4.1	11.2
§84	F.P.	-	95	84	‡EW Fact.5p	93		b3.0	2.3	4.3	9.7
§55	F.P.	-	66	56	*Edinburgh Hibernian 2p	64		-	-	-	-
155	F.P.	-	157	151	Fairey Group 5p	151	-1	R5.8	2.9	5.1	8.9
-	F.P.	-	8	4½	Glasgow Inc Trust Wrnts.	5		-	-	-	-
§10	F.P.	-	15	10	*Kromagraphic 1p	15		-	-	-	-
§10	F.P.	-	16	10	*Do. 5p	16		-	-	-	-
-	F.P.	-	5	2	*Do. Warrants	2		-	-	-	-
§100	F.P.	-	101	94	New Zealand Inv. Tst.	95		F6.0	-	8.4	-
§62	F.P.	-	68	64	Ralston Investment Tst.	65	-1	L1.5	-	3.1	-
93	F.P.	8/12	98	93	SMAC Group	93		R2.1	3.4	3.0	11.4
§66	F.P.	-	69	65	‡Safeland 5p	65		R2.6	3.2	5.3	6.4
?	10p	-	15	13	*Whitegate Leisure 20p	13	-½	-	-	-	-
-	F.P.	-	12	6	*Do. Warrants	10	-½	-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price £	+ or -
100p	F.P.	-	96p	91p	AMEC New 6½p (Net) Cm Cv Rd Pf 50p	91p	-1
100p	F.P.	-	100¾p	100p	Arlington Sec. 9½pc Cm. Rd. Pf. 2003	100p	
100.3p	F.P.	-	101p	94p	Blackwood Hodge 9pc Cm. Pf. £1	95p	
-	F.P.	-	104½	103¼	British Sugar New 10¼pc Deb. 2013	103¼	
§100p	F.P.	-	99¾p	98½p	Church (C) Dev. 9.375pc Cm Rd Pf £1	98½p	-¼
100.89	F.P.	-	103½p	98½p	Coloroll Grp 9pc Cm Rd Prf 2005 10p	99p	
-	F.P.	28/10	254p	228p	Grand Met. 5.75pc Cv. Uns. Ln. 1989	239p	-1
§97.34	£30	31/1	32⅞	30	Land Securities 10pc 1st Mtg. Deb.	31⅛	-½
100p	F.P.	-	115p	109p	Lloyds Chem. 7.5p (Net) Cm Rd Pf 5p	109p	-1
100p	F.P.	-	98p	90p	Mecca Leisure Grn. 7.25p Cv Pf 20p	90p	-4
§100	F.P.	-	100	99¾	N'wide Anglia 12⅞pc 4 12.89	99¾	
§100p	F.P.	-	96p	92p	Parkfield Grp 9pc(Net)Rd Pf '10/13 £1	92p	
§100p	F.P.	-	107p	106p	‡Quarto Grp Inc. 8¼pc (Net) Cv Cm Pf	107p	
§99.31	F.P.	20/1	99⅛	97⅛	TSB Group 10⅝pc Ln. 2008	97⅛	-2⅛
100p	F.P.	-	104p	98p	Williams Hldgs 8p (Net) Cv Rd Pf 10p	98p	-1
§100p	F.P.	-	121p	109p	‡Wyevale Garden Cntrs. 8.5pc Cm Pf	121p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price p	+ or -
10	Nil	-	2pm	1½pm	*Amercoeur Energy	1½pm	-½
155	Nil	-	30pm	10pm	Britannia Sec Group 10p	10pm	-3
55	Nil	-	12pm	10pm	Electronic Machine 5p	10pm	-1
90	Nil	-	8pm	2½pm	Goal Petroleum 5p	3½pm	+½
185	Nil	-	19pm	14pm	Hickson International	19pm	
165	Nil	-	80pm	65pm	‡JSB Electrical 20p	70pm	-2
100	Nil	-	80pm	30pm	Pavilion Leisure 10p	50pm	
215	Nil	-	21pm	10pm	Quadrant Group 10p	10pm	-3
175	Nil	-	28pm	2½pm	Ratners Group 10p	4pm	-3½
5	Nil	-	10½pm	1pm	‡SelecTV 1p	7pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¥ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. ¶ Placing price. ‖ Reintroduction. ◊ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. § Unlisted securities market. △ Official London listing. □ Including warrants entitlement. * Third Market.

COMPANY NEWS IN BRIEF

APRICOT COMPUTERS has bought the Apricot-related business of Barson Computers Australasia for £1.2m cash.

BET has acquired Phonotas Services, a specialist office and industrial cleaning services company, from Beatsons for £6.1m in cash. Phonotas services 26,500 locations throughout the UK and has £6.8m turnover.

BTR NYLEX: Offer by subsidiary Australian Consolidated *Industries for Feltrax has been* extended until January 20. Acceptances or agreements to accept have been received in respect of 94.7 per cent of fully paid ordinary – 75 per cent of shareholders have accepted offer.

CHAMBERS AND Fargus: Annual meeting told that company had decided to construct hydrogenation plant at cost of over £1m to produce specially hardened oils required by the food industry. Plant intended to increase proportion of higher added value products rather than add to total output, and represented step in progress towards higher added value, *higher margin products.*

DUNDEE & LONDON Investment Trust: Net asset value 350p (345p) and proposed final dividend of 5.9p (4.4p), making total for year to end of October of 8.8p (6.8p). Total income £2.32m (£1.88m) and earnings 9.02p (7p).

EARLY'S OF Witney has acquired John Cockroft, textile concern based at Todmorden, West Yorkshire, for £526,256 cash.

GENERAL ACCIDENT has acquired Hunters of Lincoln, estateagents with three offices and net assets of £90,000. As part of consideration, GA has issued 82,376 ordinary shares.

GLOBAL GROUP (USM-quoted meat trader): chairman warned in annual report that it would be unlikely to be in profit at current year end. Pressure on margins had coincided with an acquisition and rationalisation phase which had involved considerable management time.

GRAND CENTRAL Investment Holdings has sold two freehold UKproperties for £2.65m cash to William Pears Group. The properties comprise an office building at 70 St Georges Square, London, and mixed retail and offices at 47 High Street, Edgware. The sale realises a surplus before tax of about £1.2m.

JAMES HALSTEAD GROUP: AGM told that sales and likely profits were ahead of budget. The changes at Bellstaff appeared to be continuing to succeed.

HARMONY LEISURE has acquired the freehold of St Mary's Gate, an inn with restaurant and bar facilities at Arundel, West Sussex, for £560,000 comprising £200,000 cash with balance in new Harmony shares at 66p apiece. Harmony also acquired long lease of The Rising Sun at Aston Clinton, Buckinghamshire, bringing number of pubs, restaurants and hotels in the group to 30.

HAZLEWOOD FOODS' Dutch offshoot Hazlewood Europe, has acquired Orca-Vis for an initial Fl 10m (£2.76m), with a further amount, not exceeding Fl 8m, dependent on Orca's 1988 profits. Orca and its subsidiary Bos Diepvries process and distribute fish products.

HODGSON HOLDINGS has acquired Newsomes for total consideration of £1.1m comprising £900,000 cash and issue of 94,062 new ordinary shares.

HOWDEN GROUP: Recent rights issue taken up in respect of 16.56m shares (96.2 per cent). Outstanding balance of 656,291 shares placed with institutions at 127p per share.

INVERGORDON DISTILLERS: Management buy-out offer accepted in respect of 22.06m shares, representing 95.92 per cent of Invergordon capital. Holders of 223,204 shares (0.97 per cent) elected to receive loan note alternative.

KODE INTERNATIONAL: On November 25 New Throgmorton Trust (1983) acquired 120,000 ordinary (2.13 per cent) and now holds 360,000 (6.39 per cent).

LEX SERVICE has sold Gilbert Rice, Coventry, a main Ford car dealer, to Corner Coventry for about £3.3m in cash.

MTM has acquired Woodnab (Chemicals) for £1.78m in shares. Woodnab, based at Batley, West Yorkshire specialises in pharmaceutical intermediates with a strong client portfolio in North America.

POLLY PECK International: Recent rights issue accepted in respect of 51.36m shares (96.07 per cent). Balance sold in the market at a premium.

PRESTWICH HOLDINGS: *AGM* told discussions on possible management buyout were continuing with potential sponsors. Shareholders would be kept informed of any further developments. Trading buoyant and company now in its busiest period.

PRUDENTIAL PROPERTY Services has acquired the Harrow Weald office of estate agent Lords for an undisclosed consideration. The purchase brings the number of outlets operated nationally by Prudential Property Services to 802.

SANDELL PERKINS, as at December 1, either owned or has valid cover for 34.54m Travis and Arnold ordinary (96.8 per cent).

SAVAGE GROUP: Chairman told annual meeting that trading in first five months of current financial year was substantially ahead of last year. Growth expected via organic expansion and acquisition.

SCHRODER GLOBAL TRUST reported net asset value of 270.3p at the end of the year to October 31, against 238.7p. Total revenue £3.21m (£3.02m). Expenses and interest £593,000 (£658,000). After tax of £800,000 (£676,000) earnings came through at 4.99p (4.63p). The recommended final of 2.4p makes a total of 4.6p (4.4p).

SCOTT & ROBERTSON has sold its 50 per cent holding in Foam Plus, polystyrene manufacturer, to Plasboard Plastics of Montrose for £750,000 cash.

SCOTTISH AND Mercantile Investment Trust: Net asset value per share 107.4p at September 30, down from 138.9p a year earlier. Interim dividend maintained at 1.4p.

TRANSRAP HOLDINGS, USM plastics packaging group, has acquired two cellulose film product manufacturers, B Norman (Essex) of Southend and North-London based IM Knights. Initial consideration is £0.85m, *of which £0.7m is* payable in shares, with an additional amount not exceeding £0.3m.

TR INDUSTRIAL & General Trust: Offer from British Coal Pension Funds accepted in respect of 414.51m shares (95.8 per cent) and will close on December 14.

UBS INTERNATIONAL: Loss before tax $891,695 (£480,828), against profit of $840,452 last time. Total revenue and income $4.34m ($5.82m). Loss per share 2p (earnings 1p).

JOSEPH WEBB: Acceptances to the Mowat offer total 18.08m ordinary (70.08 per cent) and *120,262 preference* (48.1 per cent). The offer has been extended to December 13.

WOOLTONS BETTERWARE Group is buying W Bill, a retailer of cashmere fashion goods and woollen cloth merchant, *for £290,124 cash, equal* to net asset value. Bill, Wooltons' fifth acquisition in the past year, achieved profits of £19,000 on turnover of £1.6m last year.

TRADITIONAL OPTIONS

- First Dealings — Nov 21
- Last Dealings — Dec 2
- Last Declarations — Feb 23
- For settlement — Mar 6

For rate indications see end of London Share Service

Calls in Ibstock, Williams (Rex), Tyndall Hldgs, Next, Blacks Leis, Eagle Trst, Sema Grp, BSR Int, Boots, Ratners, Clyde Pet, Goal Pet, Imry Merchant, Prestwich Hldgs, Amstrad, Lawrence (Walter), Lonrho, THF, Bestwood, Holmes Protect, Amal Fin, Magnet, Sears, Storehouse, Oliver Res, SI Group, Wimpey.

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MARKET STATISTICS

ECONOMIC DIARY

TODAY: Final day of the European Community summit meeting in Rhodes.
TOMORROW: Venezuelan general election. National referendum in Switzerland on limiting immigration.

MONDAY: Retail sales (October-final). Credit business (October). US productivity and costs (third quarter- revised). European Community agriculture council meets in Brussels. GATT ministerial meeting in Montreal (until December 8). The General Assembly of the United Nations continues debate on Palestine in New York. Financial Times holds conference "The outlook for oil", at Hotel Inter-Continental, London (until December 6). Start of two-day European Community agricultural council meeting in Brussels. Start of dealing in British Steel shares. Coalfield Community Campaign statement on alternative sites to proposed Hinckley Point nuclear power station. Royal Smithfield Show opens at Earls Court (until December 8).

TUESDAY: NUPE members' day of action over nurses's grading row. Dail debates renewal of revisions to Irish extradition laws. Mr Richard Luce, Arts Minister, to launch major new Government publication on the arts. General Electric, Cape Industries, Trafalgar House Group and Argyll publish interim statements.

WEDNESDAY: Advance energy statistics (October). Detailed analysis of employment, unemployment, earnings, prices and other indicators. International Council of Securities Dealers Association makes statement in Tokyo. Mr Kenneth Baker, Education Secretary, at Industrial Society conference at Central Hall, Westminster. US President Ronald Reagan and President-Elect George Bush to meet Soviet leader Mikhail Gorbachev. Hanson, Bass and Saatchi and Saatchi publish preliminary figures.

THURSDAY: 1987 new earnings survey; report part F: analysis by hours; part-time women employees. Confederation of British Industry/ Financial Times survey of distributive trades (November). Japanese money supply figures (October-revised). NATO foreign ministers meet in Brussels (until December 9). European Community transport council meets in Brussels. The Institute for Economic Affairs/ Cato Institute hold conference "Reaganomics and beyond" at Queen Elizabeth II Conference Centre, London. Science and Engineering Research Council publishes annual report. Thorn EMI and Johnson Matthey issue interim statements.

FRIDAY: Construction output (third quarter provisional). Mr Gorbachev visits Cuba.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	107-12	-6/32	11.05	10.47	10.09
		8.750	9/97	91-19	-4/32	10.23	9.93	9.59
		9.000	10/08	87-16	-8/32	9.27	9.11	8.87
US TREASURY		8.875	11/98	98-06	-29/32	9.15	9.11	8.82
		9.000	11/18	98-16	-36/32	9.14	9.14	9.03
JAPAN	No 106	5.000	12/97	103.4489	+0.330	4.47	4.53	4.89
	No 2	4.700	3/07	109.6221	+0.746	4.72	4.82	4.97
GERMANY		6.750	8/98	101.9750	-0.350	6.49	6.40	6.32
FRANCE	BTAN	8.000	10/93	97.7885	-0.151	8.59	8.55	8.38
	OAT	9.500	5/98	104.6250	-0.175	8.74	8.77	8.62
CANADA		10.250	12/98	100.7500	-0.500	10.13	10.09	9.86
NETHERLANDS		6.7500	10/98	101.8500	-0.250	6.56	6.46	6.35
AUSTRALIA		12.500	1/98	99.8776	+0.109	12.51	12.27	11.85

London closing, *denotes New York morning session. Month ago yields on US Treasury apply to the 9.250 of '98 and the 9.125 of 2018. Yields: Local market standard. Prices: US, UK in 32nds., others in decimal.

Technical Data/ATLAS Price Sources

EUROPEAN OPTIONS EXCHANGE

Series		Feb. 89 Vol	Feb. 89 Last	May 89 Vol	May 89 Last	Aug. 89 Vol	Aug. 89 Last	Stock
GOLD C	$440	175	7	110	15.50	-	-	$424.60
GOLD C	$460	10	2.50	155	8.10	-	-	$424.60
GOLD C	$480	-	-	13	5.50	-	-	$424.60
GOLD C	$500	-	-	130	2.80	-	-	$424.60
GOLD P	$400	60	2.40	-	-	-	-	$424.60
GOLD P	$420	30	6.50	-	-	-	-	$424.60
		Dec. 88		Jan. 89		Feb. 89		
EOE Index C/P, S/FI C/P, S/FI P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
		Jan. 89		Apr. 89		Jul. 89		
ABN C ... WESSANEN C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS : 30,017
A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	13	Citizens Merchants Bank	13	NatWestminster	13
Adam & Company	13	Clydesdale Bank	13	Northern Bank Ltd	13
AAB - Allied Arab Bk	13	Comm. Bk. N. East	13	Norwich Gen. Trust	13
Allied Irish Bank	13	Co-operative Bank	*13	PRIVATbanken Limited	13
● Henry Ansbacher	13	Coutts & Co	13	Provincial Bank PLC	14
ANZ Banking Group	13	Cyprus Popular Bk	13	R. Raphael & Sons	13
Associates Cap Corp	13	Dunbar Bank PLC	13	Roxburghe Guarantee	13½
Authority Bank	13	Duncan Lawrie	13	Royal Bk of Scotland	13
● B & C Merchant Bank	13	Equatorial Bank plc	13	Royal Trust Bank	13
Bank of Baroda	13	Exeter Trust Ltd	13½	● Smith & Williamson Secs.	13
Banco Bilbao Vizcaya	13	Financial & Gen. Bank	13	Standard Chartered	13
Bank Hapoalim	13	First National Bank Plc	14	TSB	13
Bank Leumi (UK)	13	● Robert Fleming & Co	13	United Bk of Kuwait	13
Bank Credit & Comm	13	Robert Fraser & Ptnrs	13½	United Mizrahi Bank	13
Bank of Cyprus	13	Girobank	13	Unity Trust Bank Plc	13
Bank of Ireland	13	● Guinness Mahon	13	Western Trust	13
Bank of India	13	HFC Bank plc	13	Westpac Bank Corp	13
Bank of Scotland	13	● Hambros Bank	13	Whiteaway Laidlaw	13½
Banque Belge Ltd	13	Heritable & Gen Inv Bank	13	Yorkshire Bank	13
Barclays Bank	13	● Hill Samuel	§13		
Benchmark Bank PLC	13	C. Hoare & Co	13		
Berliner Bank AG	13	Hongkong & Shangh	13		
Brit Bk of Mid East	13	● Leopold Joseph & Sons	13		
● Brown Shipley	13	Lloyds Bank	13		
Business Mtge Tst	13½	Meghraj Bank Ltd	13		
CL Bank Nederland	13	McDonnell Douglas Bank	13		
Central Capital	13	Midland Bank	13		
● Charterhouse Bank	13	Mortgage Express Ltd	12.75		
Citibank NA	13	Mount Banking	13		
		Nat Bk of Kuwait	13		

● Members of British Merchant Banking & Securities Houses Association. * 7 day deposits 5.22% Sweeney 8.47%. Top Tier-£10,000+ at 3 month notice 11.06% & Mortgage base rate. § Demand deposit 8%. Mortgage 12.375% - 12.75%.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Fri Dec 2 1988 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1988 to date	Thu Dec 1 Index No.	Wed Nov 30 Index No.	Tue Nov 29 Index No.	Year ago (approx) Index No.	1988 High	1988 Low	Since Compilation High	Since Compilation Low
1 CAPITAL GOODS (209)	767.53	-1.3	11.63	4.45	10.63	24.86	777.88	786.47	782.57	635.45	838.49 1/11	786.80 8/2	1038.07 16/7/87	50.71 13/12/74
2 Building Materials (28)	937.84	-1.8	13.47	4.82	9.14	29.21	954.75	972.39	968.77	798.03	1058.10 5/8	937.68 8/2	1381.08 16/7/87	44.27 11/12/74
3 Contracting, Construction (39)	1448.22	-1.7	13.49	4.17	9.66	46.04	1473.74	1490.66	1482.75	1183.82	1627.40 11/10	1305.83 4/1	1951.50 16/7/87	71.48 2/12/74
4 Electricals (11)	2319.37	-0.9	9.26	4.88	13.04	76.55	2340.60	2353.78	2349.72	1843.92	2440.84 23/11	1946.87 6/4	2733.45 20/7/87	84.71 25/6/62
5 Electronics (30)	1705.41	-1.0	10.69	3.71	12.13	43.59	1721.89	1719.89	1714.28	1387.98	1816.22 17/11	1423.66 9/2	2236.70 17/7/87	1229.01 8/10/85
6 Mechanical Engineering (55)	403.42	-1.4	11.35	4.53	10.77	13.59	409.27	414.57	412.80	317.31	437.20 8/8	367.20 8/2	544.57 14/10/87	45.43 5/1/75
8 Metals and Metal Forming (7)	457.85	-2.9	10.66	4.45	11.40	13.69	471.38	483.51	481.24	388.54	516.28 8/11	424.40 19/2	596.67 9/10/87	49.65 6/1/75
9 Motors (16)	265.01	-1.2	12.80	5.09	9.02	9.80	268.24	271.78	269.89	221.69	295.13 10/3	259.47 1/9	411.42 13/10/87	19.91 6/1/75
10 Other Industrial Materials (23)	1298.74	-0.8	10.25	4.74	11.53	44.22	1309.30	1327.83	1315.54	1130.52	1397.10 1/11	1191.01 8/2	1736.00 22/9/87	277.55 15/1/81
21 CONSUMER GROUP (187)	1021.12	-0.7	10.02	3.99	12.52	27.98	1028.39	1039.87	1037.46	932.31	1118.61 8/8	996.55 8/2	1406.32 16/7/87	61.41 13/12/74
22 Brewers and Distillers (21)	1126.21	-0.4	10.95	3.72	11.44	24.10	1130.97	1134.58	1126.83	988.20	1160.92 24/10	951.07 8/2	1269.35 16/7/87	69.47 13/12/74
25 Food Manufacturing (21)	923.17	-0.2	9.69	4.13	13.03	26.17	924.85	927.65	924.37	748.35	1016.66 1/8	803.48 6/4	1092.25 16/7/87	59.67 11/12/74
26 Food Retailing (16)	1793.99	-0.8	9.89	3.82	13.30	46.95	1808.01	1826.33	1819.42	1888.74	2179.42 10/3	1793.99 2/12	2649.96 16/7/87	54.25 11/12/74
27 Health and Household (12)	1780.95	-0.7	7.56	2.84	15.17	40.69	1793.97	1798.64	1804.62	1682.82	1946.55 19/10	1788.33 13/1	2699.85 16/7/87	175.38 28/5/80
29 Leisure (31)	1358.97	-0.5	8.76	3.79	14.62	35.06	1365.66	1376.98	1377.80	993.792	1433.24 8/11	1142.19 4/1	1504.79 13/10/87	54.83 9/1/75
31 Packaging & Paper (17)	522.58	-1.2	10.75	4.31	11.57	16.19	528.99	535.39	527.67	442.69	565.09 19/10	473.11 6/4	739.48 16/7/87	43.46 6/1/75
32 Publishing & Printing (19)	3245.51	-1.5	9.26	4.43	13.47	106.59	3296.44	3345.66	3329.76	2985.99	3647.52 8/8	3245.51 2/12	5070.66 5/10/87	55.88 6/1/75
34 Stores (34)	688.28	-0.8	12.34	4.98	10.65	23.22	693.71	718.07	716.51	752.78	859.85 28/1	688.28 2/12	1160.58 29/7/87	52.63 6/1/75
35 Textiles (16)	451.31	-2.0	15.38	6.21	7.79	18.17	460.39	470.46	474.87	524.75	620.72 27/4	451.31 2/12	914.52 2/10/87	62.66 11/12/74
40 OTHER GROUPS (92)	883.64	-0.8	11.66	4.68	10.47	24.69	891.10	895.60	890.69	764.49	923.13 1/11	834.42 8/2	1192.48 8/10/87	58.63 6/1/75
41 Agencies (19)	1025.73	-0.5	8.61	2.71	14.63	20.98	1031.06	1037.78	1029.20	870.35	1219.82 18/3	1008.16 9/9	1795.57 17/7/87	870.35 4/12/87
42 Chemicals (22)	1001.60	-0.3	12.72	5.25	9.44	41.34	1004.75	1004.30	1002.69	942.36	1121.06 6/1	971.71 5/4	1545.46 5/10/87	71.20 1/12/74
43 Conglomerates (12)	1240.83	-0.9	10.84	4.63	10.56	25.26	1252.16	1265.51	1263.50	1033.96	1272.77 23/11	1095.37 4/1	1547.01 8/10/87	975.19 10/11/87
45 Shipping and Transport (12)	1860.83	-1.0	12.00	5.04	10.90	62.48	1878.10	1893.79	1882.89	1588.85	1992.59 23/3	1718.96 4/1	2497.85 16/7/87	90.80 29/6/62
47 Telephone Networks (2)	989.27	-0.8	11.88	4.75	10.95	20.38	997.15	998.75	987.67	813.87	1011.82 1/7	880.24 12/1	1274.14 9/6/87	517.92 30/11/84
48 Miscellaneous (25)	1158.86	-1.5	12.28	4.73	9.27	40.53	1176.38	1186.22	1183.41	1047.87	1281.89 27/10	1096.28 19/5	1773.70 5/10/87	60.39 6/7/75
49 INDUSTRIAL GROUP (488)	931.32	-0.9	10.90	4.30	11.37	26.67	939.88	948.75	945.06	816.82	998.43 8/8	887.08 8/2	1268.86 16/7/87	59.01 13/12/74
51 Oil & Gas (12)	1688.28	-0.8	10.96	6.62	11.68	76.82	1701.67	1708.00	1707.34	1528.68	1881.96 21/6	1681.40 9/9	2458.68 16/7/87	87.23 29/5/62
59 500 SHARE INDEX (500)	995.71	-0.9	10.91	4.62	11.41	30.89	1004.68	1013.38	1009.92	877.16	1070.48 8/8	958.79 5/2	1369.88 16/7/87	63.49 13/12/74
61 FINANCIAL GROUP (124)	677.43	-0.9	-	5.26	-	25.49	683.57	689.53	686.39	571.10	728.68 14/6	630.02 8/2	896.67 13/10/87	55.88 13/12/74
62 Banks (8)	669.85	-0.7	21.16	6.48	6.34	31.13	674.51	681.51	677.25	583.18	701.86 20/10	610.26 7/4	898.38 16/7/87	62.44 12/12/74
65 Insurance (Life) (8)	913.76	-0.8	-	5.81	-	39.81	921.48	926.84	924.28	848.95	1090.17 1/8	913.76 2/12	1285.72 9/10/87	44.88 2/1/75
66 Insurance (Composite) (7)	498.47	-1.1	-	6.27	-	24.04	503.90	506.20	507.48	461.56	567.92 10/6	481.43 8/2	707.58 13/10/87	43.96 13/12/74
67 Insurance (Brokers) (7)	889.37	-1.5	9.84	7.28	12.69	46.87	903.21	911.11	905.54	751.16	1022.51 27/6	823.41 6/4	1399.56 17/7/87	65.86 16/12/74
68 Merchant Banks (11)	319.25	-0.8	-	4.70	-	10.15	321.95	326.10	328.33	307.09	378.23 9/6	318.54 9/9	547.59 12/10/87	31.21 7/1/75
69 Property (52)	1265.44	-1.1	5.57	2.70	22.96	21.81	1279.48	1293.61	1280.63	848.04	1318.34 23/11	975.44 4/1	1374.86 16/7/87	56.01 20/4/65
70 Other Financial (31)	354.65	-0.6	9.93	5.56	12.59	14.72	356.93	358.40	358.02	347.27	401.37 22/3	351.55 9/9	603.48 16/7/87	33.29 17/12/74
71 Investment Trusts (76)	908.15	-0.6	-	3.31	-	19.78	913.65	919.00	914.22	742.06	943.89 8/11	784.91 4/1	1207.90 5/10/87	71.12 13/12/74
81 Mining Finance (2)	552.68	-1.4	11.06	3.78	10.07	15.67	560.58	560.58	562.06	412.45	619.62 21/9	385.04 8/2	727.93 3/8/87	66.31 30/9/74
91 Overseas Traders (8)	1338.22	-0.9	8.77	4.73	13.22	44.98	1351.02	1361.95	1355.85	850.09	1447.77 7/11	969.88 4/1	1447.77 7/11/88	97.37 6/1/75
99 ALL-SHARE INDEX (710)	917.38	-0.9	-	4.67	-	29.10	925.65	933.45	930.12	795.96	970.58 8/8	870.19 8/2	1238.57 16/7/87	61.92 13/12/74

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Dec 1	Nov 30	Nov 29	Nov 28	Nov 25	Year ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
FT-SE 100 SHARE INDEX ‡	1765.0	-13.7	1776.5	1756.4	1778.7	1792.4	1786.9	1781.5	1794.7	1582.8	1879.3 22/6	1694.5 8/2	2443.4 16/7/87	986.9 23/7/84

FIXED INTEREST

PRICE INDICES	Fri Dec 2	Day's change %	Thu Dec 1	xd adj. today	xd adj. 1988 to date
British Government					
1 5 years	118.47	+0.05	118.41	-	10.20
2 5-15 years	134.43	-0.06	134.51	-	11.64
3 Over 15 years	146.22	-0.04	146.28	-	13.10
4 Irredeemables	169.62	+0.07	169.50	-	13.62
5 All stocks	132.05	-0.02	132.08	-	11.44
Index-Linked					
6 5 years	130.25	+0.01	130.24	-	1.81
7 Over 5 years	127.71	+0.04	127.65	-	2.96
8 All stocks	127.70	+0.04	127.65	-	2.85
9 Debentures & Loans	116.92	-0.59	117.61	-	11.28
10 Preference	86.51	-0.14	86.63	-	6.31

AVERAGE GROSS REDEMPTION YIELDS		Fri Dec 2	Thu Dec 1	Year ago (approx.)	1988 High	1988 Low
British Government						
1 Low Coupons	5 years	10.43	10.40	8.48	10.43 2/12	8.38 18/4
2	15 years	9.56	9.54	9.37	9.83 13/1	8.90 18/4
3	25 years	9.09	9.09	9.27	9.57 13/1	8.82 18/4
4 Medium Coupons	5 years	10.82	10.80	9.12	10.82 2/12	8.75 18/4
5	15 years	9.78	9.76	9.59	10.01 13/1	9.12 15/3
6	25 years	9.30	9.28	9.55	9.79 13/1	8.99 14/3
7 High Coupons	5 years	10.97	10.95	9.19	10.97 2/12	8.84 18/4
8	15 years	9.91	9.89	9.72	10.16 13/1	9.26 15/3
9	25 years	9.33	9.32	9.54	9.82 13/1	9.03 15/3
10 Irredeemables†		8.93	8.93	8.97	10.09 2/9	8.65 13/4
Index-Linked						
11 Inflation rate 5%	5yrs.	3.50	3.47	2.52	3.62 28/11	2.09 30/3
12 Inflation rate 5%	Over 5 yrs.	3.70	3.70	3.73	4.27 13/1	3.53 8/11
13 Inflation rate 10%	5 yrs.	2.33	2.29	2.84	3.59 13/1	1.09 30/3
14 Inflation rate 10%	Over 5 yrs.	3.53	3.53	3.79	4.37 13/1	3.37 8/11
15 Debs & Loans	5 years	11.32	11.24	10.60	11.82 28/9	10.16 24/5
16	15 years	11.08	11.00	10.58	11.41 28/9	10.51 19/4
17	25 years	10.83	10.76	10.58	11.21 2/9	10.51 19/4
18 Preference†		10.33	10.32	10.55	10.84 4/1	9.54 22/6

‡Opening index 1776.5; 10 am 1771.6; 11 am 1760.9; Noon 1762.4; 1 pm 1762.6; 2 pm 1758.3; 3 pm 1759.8; 4 pm 1762.8; 4.05 pm 1763.1 (a) 9.00am (b) 1.42pm

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Agencies	31/12/86	1114.07	Overseas Traders	31/12/74	100.00	Mining Finance	29/12/67	100.00
Conglomerates	31/12/86	1114.07	Mechanical Engineering	31/12/71	153.84	All Other	10/4/62	100.00
Telephone Networks	30/11/84	517.92	Industrial Group	31/12/70	128.20	British Government	31/12/75	100.00
Electronics	30/12/83	1646.65	Other Financial	31/12/70	128.06	Do. Index-linked	30/4/82	100.00
Other Industrial Materials	31/12/80	287.41	Food Manufacturing	29/12/67	114.13	Debs & Loans	31/12/77	100.00
Health/Household Products	30/12/77	261.77	Food Retailing	29/12/67	114.13	Preference	31/12/77	76.72
Other Groups	31/12/74	63.75	Insurance Brokers	29/12/67	96.67	FT-SE 100 Index	30/12/83	1000.00

† Flat yield. A list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.
CONSTITUENT CHANGES: Birmid Qualcast (6) has been deleted and replaced by Vibroplant (3).

W German bank takes stake in mortgager

By Andrew Fisher in Frankfurt

COMMERZBANK, West Germany's third-largest commercial bank, is taking a 40 per cent stake in a leading mortgage savings and loan company, reaffirming its intention of building a stronger position in financial services.

The deal, with Leonberger Bausparkasse, is part of a trend – known locally as *Allfinanz* – among big German banks towards a widening of their customer activities.

Like Dresdner Bank, its larger rival, Commerzbank is following the example of Deutsche Bank, the largest in Germany, in moving into the mortgage savings market. However, the three institutions are taking different routes. Dresdner is selling its 25 per cent stake in Leonberger, based near Stuttgart, to set up its own operation in this sector, thus allowing Commerzbank to step in.

Earlier this week Mr Walter Seipp, the chairman of Commerzbank, stressed that the bank's chosen route in financial services was co-operation rather than acquisitions or start-ups, though it would reinforce this with equity investments where appropriate. It gave no price for the stake in Leonberger, the eighth-largest

Date set for S Korea SE reforms

By Maggie Ford in Seoul

DIRECT FOREIGN investment in South Korean equities is to be allowed from 1992, the Ministry of Finance revealed yesterday, but selected investors are to be allowed limited access to the booming market a year earlier.

The foreign and domestic financial community in Seoul generally welcomed the release of the timetable, which they said was the government's first clear commitment to financial liberalisation. There was disappointment, however, that the market was not to open fully in 1991 or sooner, as the Seoul authorities had been urged.

The ministry's blueprint does offer an early opportunity to holders of convertible Eurobonds issued by South Korean companies. Bondholders are to be allowed to convert these into shares from 1991 and will then be permitted to sell the shares and reinvest the proceeds on the Korea stock exchange.

Five convertible bonds have already been issued by South Korean companies. Foreigners can also invest indirectly through two closed-end funds and several unit trusts.

The ministry said yesterday that companies would be encouraged to issue more bonds, along with other instruments such as depositary receipts and bonds with warrants. Buyers of the new instruments would also be allowed access to the market in 1991.

In 1990 the ministry hopes to promote investment in stocks abroad by South Korean companies through a scheme involving the switching of share placements. In 1992 direct foreign investment will be allowed, but restrictions will be placed on the maximum holding in any single company and also on the foreign presence in the overall market.

The Korea Stock Exchange index closed up 8.99 points yesterday at 833.99, resuming its rally after a downward correction over the past two days. Many brokers expect the index to reach 900 by the end of the year.

Yesterday's plan appears likely to increase the appeal to foreign investors of the South Korean convertible bonds. The ministry has allowed only one company to issue a bond in the past year and has insisted that the foreign currency raised is not repatriated.

Under the new plan, companies issuing bonds are expected to be allowed to use the funds to repay bank debt. South Korea's commercial banks have substantial non-performing assets resulting from government-organised company rescues in the past.

The government earlier announced a change in the bank interest rate structure under which borrowing costs will rise slightly and savings rates decline, thus contributing to the banks' earnings. The ministry is thus strengthening the financial structure.

Andrew Freeman adds: News of the liberalisation plan filtered through to London after trading in the five quoted Korean convertibles had finished for the week. At least one securities house, however, reported active trade yesterday and dealers were confident that the favourable terms offered to holders of the bonds should help prices rise when dealing resumes.

"The one-year lead attached to the bonds makes them very attractive as a means of entry into the market ahead of full liberalisation," said one trader.

The convertibles have seen good demand over the last two to three weeks, buoyed by the strong underlying Korean market. A gradual rise in prices has seen the traditional premium enjoyed by the bonds fall to around 50 per cent. Rumours of liberalisation plans have affected sentiment in the past, but dealers in the convertibles warmly welcomed yesterday's details.

Argentina likely to fail in airline sell-off

By Garry Mead in Buenos Aires

ARGENTINA'S proposal to sell 40 per cent of Argentinas Aerolineas, its national airline, to Scandinavian Airline Systems, is almost certain to fail at the final hurdle because opposition Peronist politicians have vowed to oppose it in Congress.

The proposed sale of a stake in Aerolineas is widely regarded as the Radical Party Government's most important step in the sell-off of loss-making state-owned enterprises.

The deal, which has been under negotiation since February, was for SAS to pay $160mn for its 40 per cent stake in the airline. In August Mr Rodolfo Terragno, Minister of Public Works and responsible for Argentina's privatisation schemes, announced that negotiations had been clinched.

However, the deal has met considerable opposition from many quarters, including from within the Radical Party government itself, for its alleged lack of transparency.

Peronist Senators, who hold a majority in the upper house of Congress, also accused the government of valuing Aerolineas at considerably less than its market worth. They also argued the agreement was unconstitutional because it was in direct contradiction to laws prohibiting the entry of private foreign capital in nationalised industries.

Early last month the contract between SAS and Aerolineas was sent to Congress for approval. SAS announced that it considered December 15 a suitable deadline, after which it might exercise its right to withdraw if the agreement had not received Congressional approval.

The Peronist opposition, headed by Mr Eduardo Menem, brother of the Peronist party's candidate for next May's Presidential election, stated that one month was totally insufficient to consider the deal.

Mr Terragno met Peronist senators this week to try to persuade them to approve the deal but Mr Eduardo Menem, the Peronist senator who has most vociferously argued against the deal, refused to shift his ground.

Mr Menem said his party did not oppose reforming Argentina's state-owned industries, only the means the government was using.

Venezuelan and US oil groups in joint venture

By Joe Mann in Caracas

PETROLEOS de Venezuela, Venezuela's national oil company, and Unocal Corporation of the US are planning to set up a joint venture company that will own and operate a large petroleum refining and distribution system covering 12 states in the northern mid-west region of the US.

Unocal said it expected to realise more than $500m if the venture in which each will each hold indirectly a 50 per cent interest goes ahead. Completion is conditional on the venture obtaining non-recourse financing of not less than $400m.

In essence, PDVSA is buying a share in a string of Unocal's assets. These include an oil refinery in Lemont, Illinois, with the capacity to process up to 150,000 barrels a day of crude oil, participation in nine pipeline systems, 14 oil terminals, 149 fully-owned petrol stations and access to more than 3,500 independently-owned service stations selling Unocal products.

The arrangement will enable PDVSA to place 135,000 barrels per day of crude oil with the Illinois refinery.

This means that Venezuela now has guaranteed the placement of at least 585,000 b/d of crude oil in overseas refineries where it is a partner.

Mr Richard Stegemeier, Unocal president, said the venture "would provide Unocal with more reliable margins and significant cash which we will apply to debt repayment or other uses."

The Unocal deal is the latest in a series of overseas investments made by PDVSA in downstream petroleum activities.

Ruder gives little hope to bondholders in LBO deals

By Janet Bush in Boca Raton

MR DAVID RUDER, chairman of the Securities & Exchange Commission, said yesterday that the prime concern of the Commission in the area of leveraged buy-outs was the welfare of shareholders of the targeted company.

Speaking at the annual convention of the Securities Industry Association, Mr Ruder appeared to see only a limited role for the Commission in protecting the interests of corporate bondholders who may see the value of their bonds in a company plummet once it becomes subject to a LBO proposal.

He said he had asked his staff to examine the question of whether corporations that were planning LBOs or that were involved in takeover or merger plans had made adequate disclosures of their intentions to buyers of their debt.

He said this study would examine transactions in general and was not motivated specifically by the RJR battle.

RJR Nabisco is being sued by two major holders of its bonds, which allege that the company should be liable for the substantial losses in value of these bonds once the management group led by Mr Ross Johnson, its chief executive, from the date on which it announced its buy-out plans.

He said: "We have to make sure that disclosures at the time of corporate bond sales are adequate and that companies do not misrepresent themselves to buyers of their debt."

While acknowledging that there might be genuine public policy questions surrounding LBOs, Mr Ruder forwarded a resolutely free market approach.

Pillsbury suffers new GrandMet setback

By Anatole Kaletsky in New York

PILLSBURY, THE big US food and restaurant company, has suffered another setback in its attempts to ward off the $5.2bn takeover bid from Britain's Grand Metropolitan. A Federal court in Florida has issued a preliminary injunction against the Minneapolis-based food company's use of the Florida state anti-takeover statutes to block GrandMet's bid.

Pillsbury's important Burger King subsidiary has its headquarters in Florida, and the hamburger chain would be incorporated in that state if the restructuring proposed by Pillsbury as an alternative to the GrandMet offer went ahead.

The Florida trial was the latest in a series of skirmishes between the two groups as they await the legal confrontation that could prove decisive to the contest.

This is a hearing on all of Pillsbury's poison-pill devices, scheduled for December 12 by the chancery court of Delaware, the food company's state of incorporation. The chancery court has promised a decision by December 16.

If Pillsbury's poison pills were ruled invalid, there would probably be little to prevent GrandMet winning at its first and only offer price of $60 a share, despite the Pillsbury board's repeated protestations that the price was inadequate.

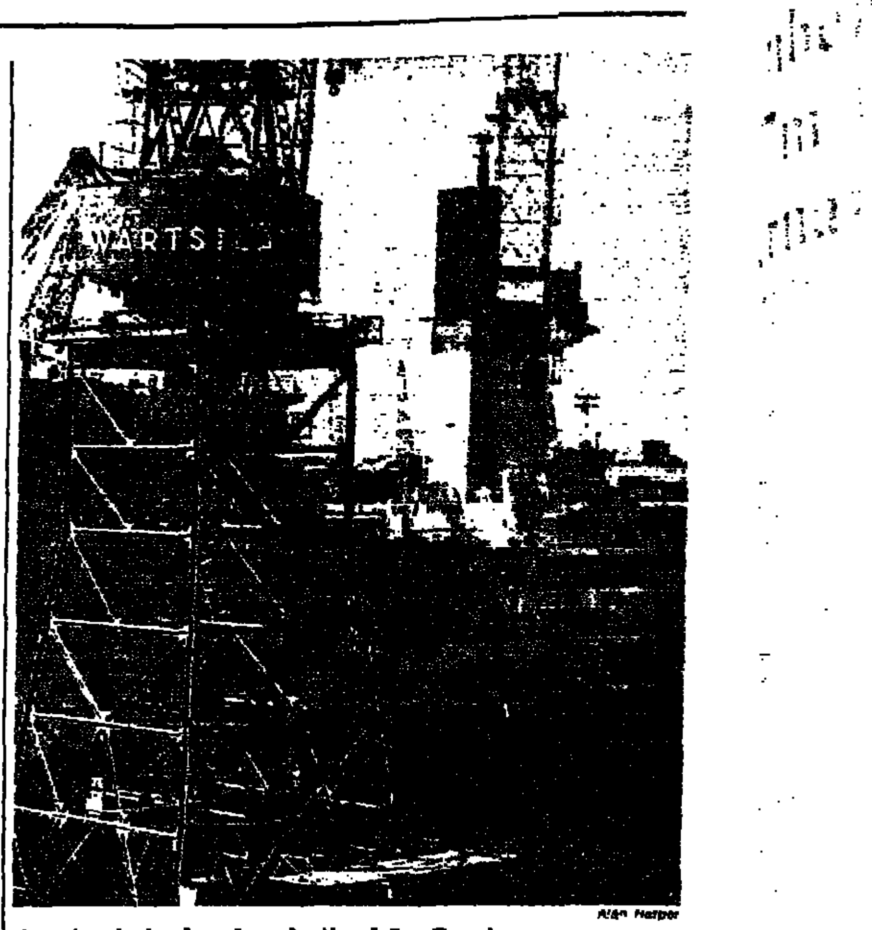
Another option GrandMet could still choose before the Delaware Court hearing would be to raise its offer and enter into friendly talks with Pillsbury. Pillsbury has recently softened its implacable opposition to a GrandMet takeover.

Earlier this week, Mr Philip Smith, its chairman, hinted strongly that an agreed deal might be reached if GrandMet raised its price.

In a letter to Mr Allen Sheppard, the GrandMet chairman, Mr Smith said that Pillsbury was "willing to consider seriously any bona fide offer" and argued that GrandMet's financial advisers had valued the company's shares "in the high $60s to low $70s."

GrandMet officials, however, appear to believe that time is on their side, given that 85 per cent of Pillsbury's shareholders have provisionally accepted the $60-a-share tender offer, pending a decision in the Delaware courts.

GrandMet has also noted that Pillsbury failed to come up with another higher bidder, despite strenuous efforts to find a white knight. Pillsbury has indicated that 15 potential suitors in the US and abroad were approached.



Alan Harper

An atomic ice-breaker destined for Russia nears completion at Wärtsilä shipyard

Finnish shipbuilders may merge interests

By Olli Virtanen in Helsinki

FINLAND'S three shipbuilding companies are believed to be planning a big reorganisation of the industry that may lead to the creation of one large jointly-owned shipbuilding group.

Mr Ilkka Suominen, Trade Minister, yesterday established a working group, which includes chief executives of the shipbuilding companies, the chairman of the metal workers' union and high ranking ministry officials, to discuss ways for "controlled structural change" of the industry.

Mr Suominen's brief for the group, which is due to complete its report by the end of this year, includes the question of what the government could do to alleviate the industry's problems.

Finland's shipbuilding companies have suffered badly during the past few years, largely due to the lack of orders from the Soviet Union, which traditionally accounts for two-thirds of aggregate output. No Finnish yard has received any orders from Moscow for almost two years.

However, Mr Suominen still refuses to begin subsidising shipyards, and Finnish officials have repeatedly urged Brussels to scrap the 28 per cent subsidies to shipbuilding orders allowed by the EC.

According to a Finnish newspaper report, the companies, Wärtsilä Marine, Rauma-Repola and Hollming, plan to merge their operations in a new shipbuilding group. However, Wärtsilä spokesmen say that no such decision has been taken.

Wärtsilä Marine was created at the beginning of 1987 by merging its shipbuilding operations with those of Wärtsila, but has since suffered big losses.

Last year Wärtsilä Marine reported a net loss of FM205m ($50m) on sales of FM2bn, and during the first eight months of the year the company made a loss of FM388m.

All Finnish shipbuilders have taken orders at loss in recent years just to keep the yards operating. Rauma-Repola will see all shipbuilding work end next August if it does not get new orders.

In 1987, sales at Rauma's shipbuilding and marine technology division totalled FM1.2bn and the net loss was about FM200m. The smaller Hollming had net sales of FM338m in 1987, while its loss before appropriations and taxes amounted to FM36m.

Correction

French state bonds

FRENCH government bond issues totalled FFr109.1bn this year, within the borrowing target range, not FFr116.2bn as stated in the Financial Times yesterday.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES

	Latest prices	Change on week	Year ago	High 1988	Low 1988
Gold per troy oz.	$424.75	+0.50	$480.5	$485.5	$394.75
Silver per troy oz	329.9p	-3.8	377.2p	457.75p	328.4p
Aluminium 99.7% (cash)	$2515	+90	$1665	$4205	$1915
Copper Grade A (cash)	£1967.5	+80.0	£1352.5	£1967.5	£1129.5
Lead(cash)	£408.0	+15.5	£359	£408	£328
Nickel (cash)	$15450	+1255	£3685	$22200	£4022.5
Zinc (cash)	$1655.0	+22.5	£475	$1672.5	$850
Tin (cash)	£4020	-25	£3840	£4540	£3625
Cocoa Futures (Mar)	£853	-37	£1137	£1182	£722
Coffee Futures (Mar)	£1090	+16	£1265	£1317	£922
Sugar (LDP Raw)	$292.0	+8.6	$202.6	$393	$213.6
Barley Futures (Mar)	£109.1	-1.5	£110.2	£110.60	£97.25
Wheat Futures (Mar)	£113.25	-1.10	£118.2	£115	£103.35
Cotton Outlook A Index	59.95c	+1.65	75c	75.3c	54.9c
Wool (645 Super)	600p	-10	482p	675p	484p
Rubber (Spot)	56.25p	+0.75	62.5p	88p	51p
Oil (Brent Blend)	$14.85	+0.25	$17.90	$17.525	$11.25

Per tonne unless otherwise stated. †Unquoted. p-pence/kg. c-cents lb

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$11.95-2.10q	-0.05
Brent Blend	$14.80-90	
W.T.I. (1 pm est)	$15.70-73q	+0.05
Oil products (NWE prompt delivery per tonne CIF)		+ or
Premium Gasoline	$179-182	-2
Gas Oil	$141-142	+1
Heavy Fuel Oil	$70-72	
Naphtha	$136-138	-3
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$424.75	+1.50
Silver (per troy oz)♣	613c	+3
Platinum (per troy oz)	$598.75	10.00
Palladium (per troy oz)	$128.0	-0.5
Aluminium (free market)	$2515	+100
Copper (US Producer)	159⅝-62¼c	-⅛
Lead (US Producer)	40¾c	
Nickel (free market)	710c	+70
Tin (European free market)	£4020.0	-7.5
Tin (Kuala Lumpur market)	19.60r	
Tin (New York)	342.5c	-2.0
Zinc (Euro. Prod. Price)	$1500	
Zinc (US Prime Western)	72⅜c	
Cattle (live weight)†	111.53p	-3.90*
Sheep (dead weight)†	173.93p	-1.31*
Pigs (live weight)†	83.09p	+2.18*
London daily sugar (raw)	$292z	+13
London daily sugar (white)	$307z	+11
Tate and Lyle export price	£287.0	+7.5
Barley (English feed)	£109	
Maize (US No. 3 yellow)	£127	
Wheat (US Dark Northern)	£111.00	-1.75
Rubber (spot)♥	56.25p	+0.25
Rubber (Jan)♥	61.25p	+0.25
Rubber (Feb) ♥	62.25p	+0.25
Rubber (KL RSS No 1 Jan)	277.5m	-0.5
Coconut oil (Philippines)§	$587.5z	
Palm Oil (Malaysian)§	$400q	
Copra (Philippines)§	$380	+5
Soyabeans (US)	$175.5	
Cotton "A" Index	59.95c	+0.15
Wooltops (64s Super)	600p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb r-ringgit/kg. z-Dec/Jan. w-Nov/Dec. v-Jan/Mar u-Mar q-Jan †Meat Commission average fatstock prices * change from a week ago. ♥London physical market. §CIF Rotterdam ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Dec	826	838	838 825
Mar	853	862	862 848
May	853	863	861 850
Jul	855	865	861 851
Sep	857	863	860 853
Dec	881	884	883 877
Mar	891	891	892 883

Turnover: 4190 (5277) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Dec 1: 1106.43 (1114.81) :10 day average for Dec 2: 1119.16 (1116.00) .

COFFEE £/tonne

	Close	Previous	High/Low
Jan	1104	1110	1110 1096
Mar	1090	1088	1096 1078
May	1075	1072	1085 1068
Jly	1075	1070	1080 1070
Sep	1072	1072	1080 1075
Nov	1078	1075	1080

Turnover:5258 (3619) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Dec 1 : Comp. daily 116.15 (115.23); 15 day average 114.59 (114.41).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Mar	261.20	260.00	263.60 258.60
May	253.20	251.40	255.00 250.40
Aug	244.80	243.00	245.00 241.40
Oct	240.80	239.00	241.00 238.00
Dec	237.00	234.00	236.00
White	**Close**	**Previous**	**High/Low**
Mar	293.60	291.00	296.50 292.00
May	289.00	286.00	291.50 289.50
Aug	289.50	287.00	292.80 291.00
Oct	284.00	280.00	285.00 284.00
Mar	281.00		282.00

Turnover: Raw 5128 (2249) lots of 50 tonnes White 1901 (958).
Paris- White (FFr per tonne): Mar 1735, May 1710, Aug 1706, Oct 1670, Dec 1660, Mar 1656

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jan	Mar	Jan	Mar
2300	192	192	32	112
2400	126	143	65	161
2500	77	104	114	219
Copper (Grade A)	**Calls**		**Puts**	
3100	336	288	76	279
3300	215	191	152	397
3500	127	133	263	534

US MARKETS

New York

Chicago

INTL. COMPANIES

Steinberg 'to bid $377m for Tiger International'

By Our Financial Staff

MR SAUL Steinberg, chairman of Reliance Group Holdings, may be returning to the takeover trail with a bid for Tiger International, the US air cargo and trucking group.

Reliance, a holding group with major insurance interests, already holds a 16.5 per cent stake in Tiger, whose subsidiary Flying Tiger Line is the world's largest scheduled all-cargo carrier.

Mr Steinberg, who came to fame through his corporate raids, has owned Tiger shares for several years and has been a director of the group since 1985. He has been stalking the company since 1982 and before becoming a director initiated two separate proxy fights for control of the company.

Tiger said that Reliance, if it decided to go ahead with the acquisition, had announced it would pay a premium over the current market price, and would finance the deal with cash and marketable securities.

Based on Tiger's closing price of $12.375 a share in New York on Thursday, the transaction has an indicated value of more than $377m down.

An individual close to Mr Steinberg was quoted as saying the acquisition of Tiger was initiated because the company's turnround and potential for future growth have not been reflected in its stock price.

Tiger said it had formed a committee of independent directors to evaluate any proposal. Reliance has also said it would ask Tiger to "pay certain fees and expenses of Reliance" relating to a takeover offer.

Saul Steinberg: returning to the takeover trail

Mr Steinberg has been one of three directors heading the company since Mr Stephen Wolf, the previous chairman, resigned last year to head Chicago-based UAL, parent of United Airlines. Mr Wolf had been credited with returning Tiger's operations to a sound footing after a period of heavy losses.

Mr Steinberg played an important role in choosing Mr James Cronin, who had been president of the Flying Tiger unit, to succeed Mr Wolf as chief executive officer.

In the first nine months of 1988, Tiger earned $23.8m, or 60 cents a share, on revenue of about $347m and some analysts are forecasting further gains in 1989 as the company benefits from growth in traffic and an improvement in profit margins.

Texaco Canada special payout

By David Owen in Toronto

TEXACO Canada, the country's fourth-largest oil producer which is being sold by its US parent as part of its extensive restructuring, yesterday declared a special cash dividend of C$6.50 (US$5.47) a share in a move designed to facilitate the sale process.

According to Mr Peter Bijur, president, payment of the dividend will make the sale easier "since a prospective purchaser will not have to pay cash for a large amount of surplus working capital."

As at September 30, the company – which analysts have valued at C$4-$5bn – had working capital of C$1.1bn.

The C$785m payment is also designed to ensure that all shareholders achieve maximum value from this hefty cash component of Texaco Canada's overall assets.

Texaco's US parent, which owns 78 per cent of its Canadian offshoot, is committed (subject to certain conditions) not to accept an offer made available only to majority shareholders.

ERN-North Broken Hill begin deal

NORTH BROKEN Hill Holdings, the Australian resources group, has completed the first leg of its complex restructuring deal with Elders Resources NZFP (ERN), its major shareholder, by selling off nearly 10 per cent of its own equity for about A$197m (US$171.7m), writes Bruce Jacques in Sydney.

The 70.08m North shares were placed with Australian institutions yesterday at A$2.80 each, well above their closing price of A$2.56 on the day. North shares have been falling since the long-anticipated deal with ERN was announced a week ago. It is one of the Australian mining industry's largest ownership reshuffles.

North acquired the shares in itself through last year's A$1bn-plus takeover of Peko-Wallsend and, by law, had until March to dispose of them. However, the shares became a sticking point in negotiations with ERN, which had emerged with 22 per cent of North, also largely through the Peko takeover.

ERN had board representation at North and was claiming a legal entitlement to North's shares in itself, which would have been a useful springboard for a full bid for the group. A tense situation was resolved when North agreed to sell a parcel of assets to ERN for A$310m. These include the Simsmetal scrap business, plus coal, gold and mineral sands operations.

In return, ERN's 22 per cent stake in North will be purchased by the latter company for A$444m or A$2.83 a share, then cancelled. The deals require approval from shareholders, the Supreme Court and the National Companies and Securities Commission and are unlikely to be finalised before February.

Taylor sells off woollen mills

J.N. TAYLOR Holdings, controlled by Bond Corporation Holdings, has sold the wool spinning mill on which Mr Robert Holmes à Court built his empire, Reuter reports from Perth.

Taylor said that in a management buy-out Albany Woollen Mills had been sold for an undisclosed sum to a group led by Mr Ian Baird, managing director, and the stockbroker Domingues Barry Samuel Montagu. Mr Holmes à Court bought the mills in 1970 when it was one of the cheapest stocks on the Perth exchange. He built an international mining and investment house on that base – his first move outside his law practice.

Chris Sherwell adds from Sydney: Bond Corporation, in a move to gain access to cash resources, earlier this week launched a full bid for Taylor, part of the Bell stable of companies acquired by Bond from Mr Holmes à Court.

Bond is offering A$2 per share for the 53.4 per cent of Taylor it does not already own.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar gives up early gains

THE DOLLAR failed to sustain a sharply firmer trend which started after the release of US employment data for November, and it tailed away during late trading to finish down from Thursday's closing level. Jobs in the non-farm payroll sector rose by 463,000, nearly double the market's median forecast, but additional data painted a more fragile picture, suggesting that the US authorities may refrain from an immediate increase in the Federal Reserve Board discount rate.

Consequently the dollar fell back from a high of DM1.7425 to finish at DM1.7290, down from DM1.7335. Attention has focused recently on the discount rate, which many traders expected the Federal Reserve Board to increase, after a recent rise in US prime rates. However, the authorities may now decide to hold back, given the overall rise in the unemployment rate to 5.4 p.c. from 5.3 p.c., and the sharp downward revision in October's employment figures. That said, Euro-dollar rates were firmer by one eighth of a point, as was the overnight Federal funds rate.

Other US data only added to the confused picture, with US factory orders rising a little more than expected in October, while new home sales were below expectations.

The dollar closed at Y121.40 from Y121.60 and SFr1.4500 compared with SFr1.4520. Against the French franc, it eased to FFr5.9100 from FFr5.9225. On Bank of England figures, the dollar's exchange rate index finished at 92.3 against 92.2 on Thursday, although the calculation did not reflect the dollar's late decline.

Sterling was on the sidelines for much of the day, but moved up with the dollar's initial surge to break through a key resistance point at DM3.2150, before coming back to finish unchanged from Thursday's close at DM3.2100. There was no sign of intervention by the Bank of England to smooth the rise. The pound continues to derive strength from the high level of return offered on sterling based investments, and its exchange rate index rose to 78.5, its best level since mid-May, and up from 78.2 at the opening and 78.3 at Thursday's close.

Sterling was unchanged against the yen at Y225.25, but rose to SFr2.6925 from SFr2.6900 and $1.8565 against $1.8530. It was slightly lower against the French franc at FFr10.9725 from FFr10.9750.

November monthly averages against the dollar are: sterling 1.8104; D-Mark 1.7464; and yen 123.04.

£ IN NEW YORK

Dec.2	Latest	Previous Close
[illegible]	[illegible]	[illegible]

STERLING INDEX

	Dec.2	Previous
[illegible]	[illegible]	[illegible]

CURRENCY RATES

Dec.2	Bank rate %	Special Drawing Rights	European Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY MOVEMENTS

Dec.2	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

OTHER CURRENCIES

Dec.2	£	$
[illegible]	[illegible]	[illegible]

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

POUND SPOT- FORWARD AGAINST THE POUND

Dec.2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Dec.2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Dec.2	% change from central rate	% change adjusted for divergence	Divergence limit %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EURO-CURRENCY INTEREST RATES

Dec.2	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EXCHANGE CROSS RATES

Dec.2	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT LONDON INTERBANK FIXING

(11.00 a.m. Dec.2)	3 months US dollars		6 months US Dollars	
	bid 9¼	offer 9⅜	bid [illegible]	offer [illegible]

MONEY MARKETS

UK rates firmer

UK INTEREST rates edged firmer in London yesterday, responding to a rise in US rates. The key three-month interbank rate rose to [illegible] p.c. from [illegible] p.c. There is no immediate pressure on bank base rates, but a rise in the US discount rate would increase the chances of a similar move in London.

The Bank of England forecast a shortage of around £750m, with factors affecting the market including repayment of late assistance and bills maturing in official hands, together with a take up of Treasury bills draining £412m. There was also an increase in the note circulation of £440m, and banks brought forward balances £90m below target. These were partly offset by Exchequer transactions which added £210m.

The Bank gave assistance in the morning of £709m through outright purchases of £100m of Treasury bills and £475m of eligible bank bills in band 3 at 12⅜ p.c., and in band 4, £134m of eligible bank bills at 12⅝ p.c.

The forecast was revised to a shortage of around £1,150m, as balances were depleted by applications for British Steel shares, and the Bank gave additional help in the afternoon of £318m through purchases of £28m of eligible bank bills in band 1 at 12⅞ p.c., and in band 3, £66m of Treasury bills and £16m of bank bills all at 12⅜ p.c.

MONEY RATES

NEW YORK (Lunchtime)		Treasury Bills and Bonds	
[illegible]	[illegible]	[illegible]	[illegible]

Dec.2	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

Dec.2	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements			Puts-settlements		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements			Puts-settlements		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements			Puts-settlements		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE £/$ OPTIONS

Strike Price	Calls-settlements			Puts-settlements		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE EURODOLLAR OPTIONS

Strike Price	Calls-settlements			Puts-settlements		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE SHORT STERLING

Strike Price	Calls-settlements			Puts-settlements		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PHILADELPHIA SE £/$ OPTIONS

Strike Price	Calls				Puts			
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON SE £/$ OPTIONS

Strike Price	Calls-settlements			Puts-settlements		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON (LIFFE)

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHICAGO

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON TRADED OPTIONS

Option		CALLS			PUTS		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

December 2 Total Contracts 43,034 Calls 20,052 Puts 22,982
FT-SE Index Calls 5013 Puts 13492
*Underlying security price.

WORLD STOCK MARKETS

INDICES

NEW YORK — DOW JONES

	Dec 1	Nov 30	Nov 29	Nov 28	1988 High	1988 Low	Since compilation High	Since compilation Low
♦Industrials	2101.88	2114.51	2101.53	2081.44	2183.50 (21/10)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	89.32	89.14	89.10	89.01	91.25 (3/3)	86.12 (4/1)	–	–
Transport	935.77	936.52	928.98	920.84	938.33 (25/10)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	184.39	185.63	184.45	182.61	190.02 (29/1)	167.26 (20/4)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2120.02 (2126.60) Low 2095.48 (2095.48)

STANDARD AND POOR'S	Dec 1	Nov 30	Nov 29	Nov 28	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite‡	272.49	273.70	270.90	268.64	282.88 (20/10)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	313.78	315.12	311.96	309.85	327.53 (24/10)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	24.84	24.94	24.59	24.32	26.42 (20/10)	21.51 (8/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	153.37	153.90	152.43	151.25	159.01 (20/10)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	295.25	294.36	292.20	291.67	309.33 (10/6)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	373.87	371.45	368.15	366.09	394.77 (18/7)	331.97 (12/1)	455.28 (26/8/87)	54.87 (31/10/72)

	Nov 25	Nov 18	Nov 11	year ago (approx.)
Dow Industrial Div. Yield	3.82	3.83	3.81	3.59

	Nov 30	Nov 16	Nov 9	year ago (approx.)
S & P Industrial div. yield	3.21	3.32	3.19	3.31
S & P Indl. P/E ratio	12.64	12.13	12.60	16.39

TRADING ACTIVITY — †Volume (Millions)

	Dec 1	Nov 30	Nov 29
New York	129.380	157.810	127.420
Amex	19.603	9.931	8.702
OTC	123.269	125.341	104.824

NEW YORK	Dec 1	Nov 30	Nov 29
Issues Traded	1,953	1,941	1,952
Rises	662	988	939
Falls	794	478	536
Unchanged	497	475	477
New Highs	22	31	30
New Lows	27	30	37

CANADA

TORONTO	Dec 1	Nov 30	Nov 29	Nov 28	1988 High	1988 Low
Metals & Minerals	2947.6	2925.4	2907.5	2897.0	3226.5 (5/7)	2238.7 (8/2)
Composite	3300.5	3294.7	3273.6	3261.2	3465.4 (5/7)	2977.9 (8/2)
MONTREAL Portfolio	1640.31	1640.31	1626.36	1617.98	1723.71 (5/7)	1305.06 (27/1)

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
RJR Nabisco	8,127,000	91¼	– 1¼	Exxon	1,208,300	43	– ⅛
AT&T	2,835,800	29⅞	½	Ford Motor	1,180,600	52⅛	+ ⅛
PepsiCo	1,712,800	38⅞	2	General Cinema	1,136,800	23⅞	+ 2
General Electric	1,315,800	44½	½	American Express	1,130,000	26⅞	– ⅛
Tandy	1,305,700	41⅛	– 1½	Rorer Group	1,109,600	45⅞	+ 3

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Dec. 2	Dec. 1	Nov. 30	Nov. 29	1988 High	1988 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1450.6	1456.5	1471.5	1472.0	1657.8 (9/8)	1170.7 (10/2)
All Mining (1/1/80)	660.0	672.7	682.3	682.2	847.8 (9/8)	532.4 (10/2)
AUSTRIA						
Credit Aktien (30/12/84)	221.30	220.50	221.10	221.20	225.48 (4/11)	163.98 (11/2)
BELGIUM						
Brussels SE (1/1/84)	5338.20	5355.70	5361.70	5341.90	5393.00 (24/11)	3608.35(4/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	(u)	252.22	249.63	252.22 (30/11)	180.68 (4/1)
FINLAND						
Unitas General (1975)	744.4	744.6	743.1	741.0	772.1 (8/8)	530.6 (15/1)
FRANCE						
CAC General (31/12/82)	(u)	392.3	390.9	390.5	397.2 (9/11)	251.3 (29/1)
Ind. Tendance(31/12/87)	150.0	150.7	150.1	149.5	153.4 (4/11)	89.7 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	526.55	529.54	526.45	521.33	542.21 (27/10)	396.40 (29/1)
Commerzbank (1/12/53)	1579.3	1591.2	1582.5	1567.0	1641.60(27/10)	1207.9 (29/1)
DAX (30/12/87)	1275.78	1277.98	1275.99	1262.55	1314.98 (28/10)	931.18 (28/1)
HONG KONG						
Hang Seng Bank (31/7/64)	2667.26	2668.03	2699.30	2632.68	2772.53 (12/7)	2223.56 (8/2)
ITALY						
Banca Com. Ital. (1972)	585.25	582.36	578.92	574.22	593.43 (9/11)	423.91 (9/2)
JAPAN**						
Nikkei (16/5/49)	29532.25	29541.46	29578.90	29318.30	29578.90 (30/11)	21217.04 (4/1)
Tokyo SE (Topix) (4/1/68)	2283.25	2282.50	2285.75	2269.15	2285.75 (30/11)	1690.44 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	272.8	273.4	274.0	271.2	285.8 (26/10)	205.7 (4/1)
ANP-CBS Industrial (1970)	240.4	241.0	241.4	238.9	252.6 (31/10)	157.9 (11/1)
NORWAY						
Oslo SE (4/1/83)	426.00	421.16	422.34	419.42	426.00 (2/12)	327.78 (28/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	999.37	1003.47	1005.49	1003.37	1177.87 (8/8)	833.60(4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1351.04	1367.0	1343.0	1331.0	1451.0 (7/7)	1154.0 (4/5)
JSE Industrial (28/9/78)	1865.04	1864.0	1856.0	1846.0	1869.0 (2/11)	1387.0 (12/2)
SPAIN						
Madrid SE (30/12/85)	276.89	280.66	281.57	282.23	301.63 (15/6)	225.50 (4/1)
SWEDEN						
Jacobson & P. (31/12/56)	3258.86	(u)	3216.88	3181.70	3267.33 (4/11)	2148.5 (4/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	581.9	585.3	583.2	580.9	585.3 (1/12)	466.6 (13/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	490.8	490.8	487.8	491.1 (24/11)	401.0 (21/1)

**Saturday Nov. 26: Japan Nikkei 29363.59 and TSE 2273.70
♦ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

WORLD STOCK MARKETS

Taking a peek in Santa's sack for that ideal investment gift

GLAD tidings from the US retail sector. The Gift Wrap Indicator, which tracks orders from stores for Christmas wrapping paper, is showing its strongest improvement in four years.

That should mean an unexpected 6 per cent rise in retail sales of non-durable goods this season, says Mr Peter Appert of Manhattan securities firm C.J. Lawrence who devised the unconventional index.

When it comes to Christmas shopping for international equities, however, the US market is distinctly out of fashion with money managers on this side of the Atlantic. More than 13 months after the global crash, the wintry mists obscuring market trends seem thicker than ever. Equity shoppers still shiver with apprehension that their purchases could fall apart within weeks. And institutions are often keener to keep their wallets well-loaded with cash than to go on a last-minute spending spree in Santa's fog-bound grotto.

For some who venture in, the most prized item on the shopping list is Japan, though the price tag looks more and more exclusive by the week. Continental Europe is also a favourite. As for the UK, tied in knots over interest rates and trade deficits, it shares a category with the US as a purchase many want to put off until the new year sales or beyond.

For those who have been window-shopping on Wall Street, the principal drawback is the inevitable hiatus before Mr George Bush, the President-elect, can begin to tackle the trade and budget deficits.

"Until we get hard and fast policy statements out of the new Administration, the markets are going to be nervous and volatile," says Mr Barry Melton, director of international equities at County NatWest Investment Management.

The perceived dangers include a run on the dollar, leading to a further rise in US – and global – interest rates and severe problems for the US savings and loans institutions. The markets' impatience for news could leave Mr Bush with an uncomfortably narrow "window of opportunity."

There is also unease in the UK over the huge part being played by leveraged buy-outs, share repurchases and mergers on Wall Street this year – Salomon Brothers calculates that stocks subject to merger or attempted merger accounted for 19 per cent of the rise in the S&P 500 index to October 31.

"It's a very fine line that has to be trod between now and the end of the first quarter," says Mr Melton.

Taking a contrary view, Fidelity Pensions Management is happy to have a small slice of the American market on its plate this Christmas and has consequently been trimming back in Japan. The company is a subsidiary of Fidelity International in Boston, and its policy reflects the currently more bullish attitude among US institutions to their own market rather than the generally cautious view in Europe.

In Wall Street's favour, Mr James Holleyhead of Fidelity argues that the dollar has probably bottomed out, that progress on the deficits is likely in the next few months and that the market has some catching up to do. North America has risen by only 10.5 per cent in dollar terms this year against a 20 per cent rise in the FT-Actuaries World Index.

The steep fall in the US currency after the November 8 election has had a notable impact on global market performance. The world index rose 2 per cent in local currency terms in the three weeks to November 30, but dollar investors have enjoyed twice that increase. By contrast, sterling investors have suffered a fall of 0.1 per cent.

The strength of the yen against the dollar, however, has not been enough to overwhelm Tokyo, which has produced a 6.7 per cent rise in local currency terms since the US election.

Dollar investors have done particularly well with a 9.9 per cent advance. "In the short term that market definitely has the best momentum," says Mr David Berry of BZW Investment Management.

In addition to financial arguments favouring Tokyo, such as high domestic liquidity, buoyant economic activity and the possibility of falling bond yields, there is talk of the "new era" that is expected to follow the Emperor's death – a confident break with the past that could bring an even greater emphasis on consumption.

The bears on Japan – often those who missed the boat – say there are signs of a slowdown in earnings growth, such as last month's dismal results from NTT, and warn that the bull run is long in the tooth. *After a rise in the index of 35* per cent so far this year, Japan now accounts for a 45 per cent chunk of world market capitalisation, while the US has shrunk to 30 per cent. This makes even the most optimistic UK money managers nervous about Japan in 1989. For the short-term, however, barring a period of mourning should the Emperor die, they see the Tokyo rally continuing.

Stacked among the tinsel on continental European shelves, West German stocks still glitter after their 8 per cent rise in the past three months. The fact that Germany had been caught in a bear market until well into 1987, the unexpected strength of its economic growth this year, and the potential impact of 1992 on small and medium-sized businesses are all cited as attractions. And there is what Mr Guy Rigden of Phillips & Drew calls the "Scrooge appeal" of German companies that are cutting costs and jobs.

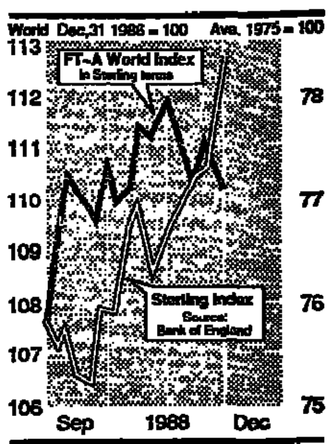
Switzerland gets a mixed response, with some investment houses preferring to stay away until the snow settles on Nestlé's catalytic move to allow foreigners to buy its registered shares.

However, Mr Ernie McKnight of Scottish Amicable Investment Management believes selling last month went too far and that Switzerland is now looking cheap. "Markets really are about excesses," he says. "Things are overdone in both directions and we like to take advantage of that."

There seems little chance that any particular European stocks will sell out this Christmas, as investment managers express a wide range of preferences – from German and Swedish engineering to Italian telecommunications, Dutch transport and Spanish life insurance.

So what would make a truly seasonal stocking filler? A train set, according to Mr Alan Butler-Henderson, head of international research at Hoare Govett, who happens to be particularly keen on Japan's Hankyu Railway. BZW's yuletide menu would consist of the European food and drinks sector, along with less festive sectors such as construction, pharmaceuticals and publishing. With the help of Mr Appert's index, that could just about wrap it up for 1988.

Alison Maitland



AMERICA

Dow steady despite drop in bonds

Wall Street

TURNING a blind eye to a plunging bond market, Wall Street stocks managed to hold their ground in light trading by midsession yesterday, *writes Roderick Oram in New York.*

Bond prices fell more than a point on news that 463,000 jobs were created last month, almost double the number the market had expected. The surprising show of economic strength heightened fears that the Federal Reserve would tighten monetary policy soon, either by a discount rate increase or more subtle tactics.

The Treasury's benchmark 30-year bond lost 1⅛ points, pushing up its yield to 9.13 per cent from 9.02 per cent late on Thursday.

Stocks fell initially but recovered by early afternoon. Analysts were hard pressed for an explanation as to why equities had failed to follow bonds lower but some suggested that the stock market had already discounted higher interest rates.

At 1.30 pm the Dow Jones Industrial Average was down 3.91 points at 2,097.97. Broader market indices showed a similar pattern. New York Stock Exchange volume was light with fewer than 90m shares traded by early afternoon. The trend was heavily negative, however, with declining stocks outnumbering those advancing by a ratio of eight-to-five.

SmithKline Beckman jumped $1⅝ to $46⅛ on heavy volume of more than 2.3m shares by early afternoon, making it the most active NYSE issue. It was boosted by a large block transaction and a buy recommendation from Kidder Peabody's analyst. The troubled pharmaceuticals company is understood to be considering further restructuring steps on top those already announced.

Warner Lambert added $¾ to $76 after it reached an agreement to market a nicotine patch made by Elan, a British company traded on the over-the-counter market. Its American Depository Shares dipped $⅛ to $9⅝. The patch delivers nicotine into the bloodstream of people trying to give up smoking.

Unocal rose $½ to $37½. The integrated oil major said it could realise $500m in profits from a joint venture it has agreed in principle with the Venezuelan national oil company.

Tiger International leapt $1⅝ to $14. Mr Saul Steinberg, the New York investor with an 18.6 per cent stake in the cargo airline and freight forwarder, is considering buying the rest of its shares.

Long Island Lighting, a major suburban New York utility, fell $¾ to $15⅛. The New York State legislature turned down an agreement whereby the state would have acquired Lilco's non-operational Shoreham nuclear power station for $1. In return, Lilco could have raised its rates by 65 per cent over the next five years.

Universal Foods surged $4½ to $32½. The yeast, cheese and speciality food producer has received a $30½-a-share takeover offer from High Voltage Engineering, a diversified manufacturer owned by Hyde Park Partners, a leveraged buy-out specialist.

Canada

CONCERN over the possibility of higher interest rates pushed Toronto share prices lower at midday, with the composite index losing 7.3 points to 3,293.3.

Texaco Canada declared a special dividend and declined C$¼ to C$40. Renaissance Energy fell C$⅛ to C$11¾ and Shell Canada declined C$⅜ to C$38⅜.

EUROPE

Oslo and Copenhagen reach highs

COPENHAGEN and Oslo were the bright spots yesterday in Europe, where most bourses ended lower in weak volumes, *writes Our Markets Staff.*

OSLO benefited from stable oil prices and news that the central bank was cutting its key overnight lending rate from Monday, with share prices closing at a high for the year. The all share index added 3.20 to 309.26.

Norsk Data voting A shares gained 50 cents to NKr49 after the computer company denied that it was in negotiations over a possible bid from overseas. The speculation was fuelled by the Oslo stock exchange's report that foreigners hold 48.3 per cent of the company's A shares.

COPENHAGEN reached another record high, with the CSE index at 256.36, a gain of 1.47. Den Danske Bank added DKr6.10 to DKr394 with a heavy 190,000 shares dealt.

FRANKFURT was dominated by further sharp falls in the troubled computer stock Nixdorf and overall trading returned to its low levels of earlier this week at DM1.5bn.

A steady dollar again underpinned the market, which recovered from steep opening falls to end mixed, with the FAZ at midsession down 2.99 at 526.55 and the DAX closing 2.2 lower at 1,275.78.

The US jobs figures produced a slightly negative reaction in after hours trading as the dollar rose on expectations of a US discount rate rise and then edged down again.

Nixdorf plummeted to DM27.50 at the opening in the wake of sharp downward revisions in earnings forecasts by banks and brokers. But it recovered partially later to end DM18.50 down at DM294.50.

In capital goods, FAG Kugelfischer said it would pay an unchanged or better 1988 dividend and rose DM2.50 to DM277. MAN, which published world consolidated group net profits of DM202m, an effective 24 per cent rise, saw its stock gain DM1.80 to DM227.80.

ZURICH continued to buzz with speculation over which company, if any, might be the next to open its registered shares to foreigners, with trading dominated again by switching between the share types.

The Crédit Suisse index fell 2.0 to 509.9 in active trading. Brown Boveri participation certificates closed up SFr7 at SFr397, having reached SFr403. There was a late placing of a sizeable package of the group's PCs at SFr378.

AMSTERDAM was hesitant before the US employment figures and only international stocks reacted when they were published, easing on fears the Fed would raise the discount rate. The CBS all-share ended 0.3 lower at 98.8.

Steel stock Hoogovens was in strong demand, rising Fl 3.10 to Fl 68.70. The oversubscription of the British Steel privatisation offer and a positive report on the industry outlook from the OECD steel committee were cited as reasons for the rise in the stock, which has been lagging others in the European sector.

MILAN picked up towards the close in better volume, with the Comit index ending up 2.89 at 585.25.

Insurers were again in the limelight, with Generali up L140 at L44,650, rumoured takeover target Unipol L425 better at L29,500, and La Fondiaria rising L1,240 to L70,990.

Chemical Montedison edged up L7 to L1,990 after the Government formally approved the Enimont chemicals joint venture with state group Ente.

PARIS finished a quiet week on a very quiet note, with dealers searching for stories to enliven trading. Yet another bomb scare and evacuation of the stock exchange building compounded the ennui.

The CAC General index opened 1.2 lower at 392.5 and the OMF 50 index was off 1.75 at 405.23. Volumes were low again, having stuck around the FFr1bn level all week. There was concern about continuing transport strikes and some people were still worried that domestic interest rates might be raised.

Perrier was one of the larger movers, rising FFr52 to FFr1,360 on volume of 29,950 shares.

MADRID closed lower on institutional selling, with the general index off 3.77 at 276.89. Union Explosivos Rio Tinto fell further after Wednesday's poor profits news, giving up 15 points to 275 per cent of par.

BRUSSELS was unnerved by Thursday's fall on Wall Street and shares slipped in quiet trading. The cash index lost 17.5 to 5,338.2. Fabrique Nationale and Gechem, both units of Société Générale, continued to recover, with FN rising BFr128 to BFr756 and Gechem finding BFr62 to BFr740.

ASIA PACIFIC

Government guideline muffles enthusiasm

Tokyo

INTEREST was again widely scattered yesterday and the Nikkei average posted a slight loss in mixed trading, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average closed down 9.21 at 29,532.25. As on Thursday, however, advancing issues led falling stocks by 501 to 389. Volume at 1.24bn shares reflected active trading although it was slightly lower than Thursday's 1.54bn.

The Topix index of all listed stocks was up 0.73 at 2,283.32 and, in London trading, Japanese shares made gains, with the ISE/Nikkei 50 index adding 1.61 to 1,863.84.

The overall market lacked focus and direction. As on Thursday, investors sought a wide variety of issues, most of which have underperformed of late. Recent market leaders steels were largely out of favour, along with issues that have had a good run recently.

Analysts pointed out that institutional investors seem to have lost their former enthusiasm, not least because of the nearness of the index to the 30,000 mark. "The market is looking rather tired," said one broker.

A new guideline from Japan's Ministry of Finance is also having a dampening influence on the market, said Mr Shin Tokoi, deputy general manager of equities at County NatWest. The ministry is said to have advised leading brokers to keep, for one month, their trading in one issue below 30 per cent of that issue's market capitalisation, in an attempt to bring the market more in line with western standards. Japan's stock market is often criticised by the west for being dominated by a small number of brokers who more or less determine which issues will be market leaders.

The guideline is also said to specify that if brokers overstep the 30 per cent limit, they will be asked to restrict voluntarily their own trading in that issue.

The move makes it very difficult for any broker to trade any issue in large volumes and, if it proves effective, is likely to have a dampening effect, particularly on smaller issues, as it is relatively easy to reach the 30 per cent limit in an issue with a small capitalisation.

Shipping companies featured in early trading, largely because of their low prices. Japan Line, the most actively traded issue at 44.8m shares, rose Y17 to Y596. Kawasaki Kisen, also heavily traded, added Y30 to Y610 on expectations of better profits. The rally also attracted interest after Nikkatsu, a film maker, crossed the Y500 mark, rekindling investor interest in issues below Y700. Nikkatsu at one stage reached Y502, but closed up Y15 at Y485.

Nippon Steel, second in volume at 44.3m shares, lost Y5 to Y930. Marubeni, the trading house, was third in volume at 36.4m shares and rose Y11 to Y783, partly on expectations of better business prospects with the Soviet Union.

Ube Industries, the chemical company, benefited from its possible participation in a large Tokyo development project and also as a leader of chemicals, which have lagged lately. Ube gained Y23 to Y703 during the day, finishing up Y17 at Y697.

Underperformers dominated the market in Osaka as well, where the OSE average gained 14.24 to 27,683.50 as volume fell to 105m shares from 195.69m.

Roundup

CAUTION over interest rates and yesterday's US employment figures left the main Asia Pacific markets weaker.

AUSTRALIA was again beset by interest rate worries and fell for the fifth day running in active turnover of 180m shares worth A$436m. The All Ordinaries index finished 5.9 easier at 1,450.6 in spite of a late-led rally mid-morning; industrials were marginally higher and resources weak.

CSR, a current industrial favourite, saw active turnover of 5.18m shares, rising 3 cents to A$4.30. Cadbury Schweppes, under offer from its UK parent at A$4.25 a share, had 3.5m shares dealt and also gained 3 cents to A$4.41.

Strong transport stocks saw Mayne Nickless gain 6 cents to A$5.78 and TNT rise 8 cents to A$3.74.

HONG KONG was little changed in cautious trading but property stocks remained well supported. The Hang Seng index ended 0.77 easier at 2,667.26 in good volume of HK$1bn, slightly less than Thursday's HK$1.2bn.

Hongkong Telecom began trading again and ended off slightly at HK$4.85, compared with HK$4.925 before its suspension for the pricing of its international offer of 577.5m shares at HK$4.55 a share.

SINGAPORE suffered from falls in New York and Tokyo and the Straits Times index dropped below the key 1,000 level to end 4.10 lower at 999.37 in very low turnover.

SOUTH AFRICA

GOLD and platinum shares were unable to hold on to Thursday's gains in Johannesburg. They closed lower in thin trading as bullion and platinum prices declined.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY DECEMBER 1 1988					WEDNESDAY NOVEMBER 30 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (91)	144.14	-1.6	115.32	110.01	4.94	146.42	117.31	111.27	152.91	91.16	96.89
Austria (17)	98.05	+0.1	78.45	88.14	2.44	97.98	78.50	88.39	100.00	83.72	92.21
Belgium (63)	133.47	+0.2	106.78	120.13	4.21	133.15	106.68	120.18	139.89	99.14	97.86
Canada (125)	122.24	+0.4	97.80	105.07	3.35	121.72	97.82	104.76	128.91	107.06	101.27
Denmark (39)	154.48	+0.6	123.60	140.83	2.15	153.56	123.02	139.67	154.48	111.42	111.54
Finland (26)	139.13	+0.6	111.31	119.13	1.41	138.23	110.75	118.62	139.53	106.78	—
France (130)	110.85	+0.1	88.69	102.98	3.15	110.77	88.75	103.08	112.05	72.77	83.34
West Germany (102)	86.96	+0.7	69.58	78.33	2.38	86.36	69.19	77.94	88.21	67.78	75.23
Hong Kong (46)	110.93	+0.3	88.75	111.14	4.64	110.10	88.21	110.31	111.86	84.90	79.96
Ireland (16)	131.43	+0.9	105.15	119.71	4.17	130.24	104.34	119.36	144.25	104.60	98.44
Italy (98)	86.00	+0.7	68.81	82.27	2.46	85.43	68.44	81.86	86.73	62.99	79.16
Japan (456)	190.01	-0.5	152.03	146.05	0.51	190.15	152.34	146.52	190.75	133.61	138.71
Malaysia (36)	139.89	-0.5	111.93	144.15	2.96	140.55	112.61	144.77	154.17	107.83	98.44
Mexico (13)	178.56	-0.4	142.87	446.50	1.15	179.36	143.70	448.50	182.24	90.07	115.14
Netherland (38)	109.20	-0.3	87.37	97.39	5.06	109.52	87.74	97.80	111.00	95.23	92.23
New Zealand (25)	69.05	-2.1	55.25	56.61	6.97	70.53	56.51	57.13	84.05	64.42	77.60
Norway (25)	126.72	-0.3	101.39	111.41	2.21	127.15	101.87	111.87	132.23	98.55	100.18
Singapore (26)	119.35	-0.5	95.49	107.33	2.53	119.93	96.08	107.60	135.89	97.99	87.31
South Africa (60)	127.95	+4.2	102.37	99.01	4.65	122.81	98.39	98.05	139.07	98.26	145.03
Spain (42)	151.51	-0.3	121.22	129.64	3.16	151.99	121.77	130.55	154.27	130.73	116.19
Sweden (35)	137.56	-0.3	110.06	122.04	2.33	136.00	108.96	121.25	137.56	96.92	92.86
Switzerland (57)	79.20	-0.2	63.37	71.29	2.38	79.33	63.56	71.47	86.75	74.13	78.92
United Kingdom (318)	137.96	-0.7	110.38	110.38	4.78	138.95	111.33	111.33	141.51	120.64	117.17
USA (577)	111.10	-0.3	88.89	111.10	3.67	111.45	89.29	111.45	115.56	99.19	92.00
Europe (1008)	114.82	-0.2	91.87	98.39	3.77	115.01	92.14	98.70	116.61	97.01	96.45
Pacific Basin (680)	184.90	-0.1	147.94	143.01	0.74	185.11	148.30	143.48	185.75	130.81	134.88
Euro-Pacific (1688)	156.85	-0.1	125.50	125.31	1.64	157.05	125.82	125.71	158.08	120.26	119.54
North America (702)	111.69	-0.3	89.36	110.75	3.65	111.99	89.73	111.06	116.07	99.78	92.50
Europe Ex. UK (690)	100.26	+0.3	80.22	91.13	2.98	99.97	80.10	91.03	101.29	80.27	83.60
Pacific Ex. Japan (224)	123.84	-0.8	99.09	104.64	4.78	124.88	100.06	105.17	128.27	87.51	88.52
World Ex. US (1886)	155.37	-0.1	124.31	124.51	1.71	155.49	124.57	124.88	156.39	120.26	119.17
World Ex. UK (2145)	138.44	-0.1	110.77	120.95	2.16	138.58	111.02	121.26	138.58	111.17	107.83
World Ex. So. Af. (2403)	138.45	-0.2	110.77	120.08	2.28	138.69	111.11	120.46	138.69	113.26	108.42
World Ex. Japan (2007)	113.53	-0.2	90.84	106.80	3.75	113.78	91.15	106.55	115.54	100.00	94.26
The World Index (2463)	138.38	-0.1	110.72	119.94	2.30	138.59	111.04	120.31	138.59	113.37	108.65

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

Latest prices were unavailable for this edition.

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

‡ Bargains at special prices. ♦ Bargains done the previous day. Bargain done with non-member or executed in overseas markets.

British Funds, etc
No. of bargains included 2349

Treasury 8½% Stk 1994 "A" - £90% % .929688 % .945313 % 1 .007813

Corporation and County Stocks
No. of bargains included 4

Greater London Council6¾% Stk 90/92 - £87% 8 %

Birmingham Corp3% Stk 1947(or after) - £27 (29No88)

6¼% Red Deb Stk 84/89 - £95 (22No88)

7¾% Red Deb Stk 88/93 - £87% (28No88)

11½% Deb Stk 2009 - £112½ (30No88)

7¼% Uns Ln Stk 93/98 - £82 4 (30No88)

Bass PLC7% Cum Prf £1 - 69 (30No88)

3¼% Deb Stk 87/92 - £82½ (30No88)

8¼% Deb Stk 87/92 - £92 (29No88)

4½% Uns Ln Stk 92/97 - £65 (30No88)

7¾% Uns Ln Stk 92/97 - £83½♦

7¾% Uns Ln Stk 92/97 - £82½

UK Public Boards

Foreign Stocks, Bonds, etc-(coupons payable in London)

Sterling Issues by Overseas Borrowers

Banks and Discount Companies

Breweries and Distilleries

Commercial, Industrial, etc

Financial Trusts, Land, etc

Plantations

Railways

Shipping

Utilities

Water Works

Insurance

Investment Trusts

USM Appendix

The Third Market Appendix
No. of bargains included 50

Beckenham Group PLC Warrants to sub for Ord - 29 (29No88)
9% Red Cum Prf £1 - 95 (29No88)
Edinburgh Hibernian PLC Ord 2p - 63 (25No88)
Ivernia West PLC Ord IR£0.10 - 14 (25No88)
Medirace PLC Warrants to sub for Ord - 45 (30No88)
Royal Sovereign Group PLC Cum Cnv Red Prf 2008 25p - 68 (25No88)
Whitegate Leisure PLC Ord 20p (Fly Pd) - 13½
Warrants to sub for Ord - 9 ½ (28No88)
Wilson Group PLC "A" Ord 1p - 5½

RULE 535 (4) (a)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

ACMEX Holdings 52♦A$1 096 (30.11)
Ampol Exploration 90 (29 11)
Applied Magnetics Corp $12.32♦12½♦12⅝♦ (30 11)
Aust Foundation Inv A$1 42
Aust Hydrocarbons A$0 08
Boral Ord. Stk A$3 424,3 45 (30 11)
Cadbury Schweppes Australia A$4 26♦4 267♦4 294♦ (30 11)
Central Kalgoorlie Gold Mines 11♦ (25 11)
Churchill Resources A$0 081 (25.11)
Coltus Resources 20♦
Dainippon Screen Manufacturing Co Y940 10 (25.11)
Denison Mines Class "B" 175 (28 11)
Devex A$0 3368 (25.11)
Great Victoria Gold $0 17,A$0 203 (29 11)
Greenvale Mining 161⅛ (30 11)
Haoma North West 21½ (28 11)
Harland (John H) Co £12 (29.11)
Highveld Steel & Vanadium $2.17,2 19,2.2,R8 05,8 1,8.15
Hollinger Inc. 575 (29 11)
Hooker Corp A$2♦ (25.11)
Int Mining 5♦
Jimberlana Minerals A$0.111 (30 11)
Keystone International $17⅝♦18♦
Kulim Malaysia Ord 23 (30 11)
Malaysian Plantations 25♦ (28 11)
Mid-east Minerals A$0.338 (29.11)
National Electronics (Consolidated) 3½♦HK$0 8866♦ (25 11)
Nixdorf Computers AG Prf Shs DM311.7
Noranda Inc. 985 (30 11)
North Flinders Mines A$5 878 (25.11)
Oil Search 34♦A$0 757
Orbit Oil & Gas 27 (30 11)
Overseas Chinese Banking Corp 205♦
Palabora Mining $12 955,R49 95
Phoenix Oil & Gas 4½ (28 11)
Pretoria Portland Cement 225,R16½ (25 11)
Regent Mining 31½ (25 11)
Rorer Group $43 725♦43 975♦
Sensormatic Electronics $9⅛♦
Singapore Land $$7 $202 (25.11)
Steico Class 'A' Conv 967 (25.11)
Target Petroleum Ord 15
Victoria Exploration A$0 071 (29.11)
Vulcan Minerals 19
Walloon Bond 9
Westfield Minerals 80♦
Windsor Industrial Corp 58 (25 11)
Zone Petroleum C$0 04♦

RULE 535 (2)

Bargains in securities incorporated in the Uk & Republic of Ireland but not listed on any exchange

Adnams & Co £18
Africa Gold 7 (29 11)
Ann Street Brewery 800
Appleton Hldgs 14,15 16 (30 11)
Avis Europe 102 7 (25.11)
Celltech 400
Conister Trust 220 (25.11)
DBS Management 68
Dolphin Intl 35 (29 11)
Falmouth Hotel £31
Fredericks Place Hldgs 13 (30.11)
Grampian TV 47
Greenstar Hotels 75 (25.11)
Guernsey Gas Light 590 (28 11)
Hartley Baird 58,60 (29.11)
Le Riches Stores 385
Liverpool FC £300 (30 11)
London Wall Hldgs 246,50 (30 11)
Lovell (YJ) Hldgs 55 (28 11)
Mid-Kent Water £310% (24.11)
Newbury Racecourse £3900,1
NM Schroder Fin Mang Int 206.3 (25 11)
Rangers FC £26
Severn Valley Railway 50
Shepherd Neame 620,5 (30 11)
Southern Newspapers 270
Thwaites 230 ½ (29 11)
Weetabix A 415 (30 11)
Wistech 55.8
Wolverhampton Racecourse 455

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LONDON STOCK EXCHANGE

Nervous mood hits equity sectors

A significant turn for the worse in the mood of the London equity market yesterday indicated the depth of concern over the outlook for share prices in the light of the higher interest rate environment in the UK. Early selling pressure prompted speculation that more than one major securities house had switched to the bearish tack, and a second bout of nerves drove prices down again after the US employment figures for November revived worries over upward pressures on worldwide interest rates.

The final picture was not too bad, however, with equities rallying after twice showing falls in the range of 20 points on the FT-SE scale. Selling was sporadic rather than heavy, and most of the damage was to market confidence, which has been badly bruised this week by indications that the UK securities trading industry may be facing another round of employment cutbacks.

At the close, the FT-SE Index was down 13.7 down at 1765, after support levels in the 1775 area had been swept aside. At its worst, the index was as low as 1756.4. Seaq volume at 486.3m shares compared with 465.5m in the previous session.

The Index has fallen 29.7 points this week, after falling 43.3 points in last Friday's session, in which it lost 43.3 points as the market reacted to the increase in base rates to 13 per cent in the face of a record UK trade deficit for October.

The session opened quietly yesterday, but equities suddenly plunged as traders awaited news following the 10am deadline for applications for British Steel shares. The wildest of speculation was countered by confirmation that the Steel issue had been convincingly over-subscribed. However, it soon became clear that major sellers of the blue chips were in the market.

Several analysts said that the past week had brought something of a sea change in the equity market. Mr Bill Smith at Prudential-Bache commented that with major companies now admitting to a difficult trading environment, City analysts may have to recognise that their forecasts for corporate results are "too high".

There was much speculation ahead of the latest monthly reviews of company profits by James Capel, London's senior agency broker. The report, which is due next week, will anticipate year-end changes in the sterling/dollar rate. However, both James Capel and Warburg Securities remain advocates of the "soft landing" side of the current economic debate.

Government bonds held up well to the fall in US bonds in the wake of the latest Federal data on employment, brushing off fears that the US discount rate could be forced higher. Falls in long-dated Gilts were no more than ⅛, with the shorts and index-linked barely changed. London dealers commented that UK bonds seemed to have "de-coupled" from New York.

Account Dealing Dates			
First Dealings	Nov 14	Nov 28	Dec 12
Option Declarations	Nov 24	Dec 8	Dec 22
Last Dealings	Nov 25	Dec 9	Dec 23
Account Day	Dec 5	Dec 19	Jan 9

*New time dealings may take place from 9.00 am two business days earlier.

FINANCIAL TIMES STOCK INDICES

	Dec. 2	Dec. 1	Nov. 30	Nov. 29	Nov. 28	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	86.90	86.97	87.03	86.98	86.96	89.58	91.43 (18/4)	86.28 (12/8)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.00	97.10	97.19	97.31	97.24	96.60	98.67 (25/5)	94.14 (6/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1439.7	1450.2	1458.0	1456.4	1452.9	1262.7	1514.7 (8/8)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	178.7	179.0	178.4	181.1	179.4	329.4	312.5 (7/1)	162.7 (22/9)	734.7 (15/2/83)	43.5 (26/10/71)

Ord. Div. Yield	5.01	4.97	4.90	4.90	4.90	4.93
Earning Yld % (full)	12.69	12.59	12.30	12.33	12.30	12.21
P/E Ratio(Net)(*)	9.52	9.60	9.84	9.82	9.85	10.01
SEAQ Bargains(5pm)	20,845	20,702	21,642	21,926	24,086	26,389
Equity Turnover(£m)†	-	1018.26	1005.29	836.02	850.34	1036.68
Equity Bargains†	-	20,839	21,534	22,617	24,443	28,957
Shares Traded (mil)†	-	471.5	408.3	355.1	360.0	588.1

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1448.0	1444.9	1436.3	1437.1	1437.7	1434.1	1436.0	1437.8

DAY'S HIGH 1448.0 DAY'S LOW 1432.5

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. *Nil 9.47 †Excluding intra-market business.

S.E. ACTIVITY

Indices	Dec. 1	Nov. 30
Gilt Edged Bargains	106.1	86.6
Equity Bargains	135.0	139.5
Equity Value	2058.2	2034.0
5-Day average		
Gilt Edged Bargains	109.3	107.3
Equity Bargains	157.0	165.5
Equity Value	2058.4	2122.4

● London Report and latest Share Index: Tel. 0898 123001

GEC no longer bid proof

GEC resumed the mantle of the biggest traded electronics stock in the market with turnover expanding to 11m, as talk of a possible bid for the group gathered momentum. GEC is currently bidding jointly with West Germany's Siemens to take over Plessey. GEC's shares were 2 easier at 175p, having slipped to 173½p at one point yesterday.

Speculation that Hanson might bid or Siemens themselves might be buy GEC as their next long-term acquisition has been in the market all week. Yesterday's hints, however, suggested that some sort of tie-up with one of the multinational, possibly US, electronics giants could be on the cards.

"Whatever transpires, sentiment towards GEC has fundamentally changed. It is no longer bid proof and there has been, and will continue to be, a re-rating of GEC's shares" said a leading electronics analyst last night. The underlying asset value of GEC is "at least as good as Plessey", the analyst said.

GEC is scheduled to announce interim results next Tuesday; Kleinwort Benson is forecasting pre-tax profits up by some 8 per cent from £282m to £302m, as do Flemings Research, while Hoare Govett goes for £305m.

Glaxo downgraded

Analysts at County NatWest chose an unhappy day to downgrade their forecasts for both interim and full year profits at Glaxo, one of the market's most favoured pharmaceutical stocks. The County team has cut the full year forecast from £960m to £945m pre-tax, but the immediate sting comes from the reduced forecast for the interim total, which is expected in mid-March.

Mr Jim Cooke of County has changed his view on the currency factor, which is highly important for the Glaxo profit and loss account. He now believes that the US dollar/sterling rate will be little changed at end December from the $1.88 of a year ago – previously he expected the rate to drop to $1.76. Combined with his conviction that Glaxo faces higher marketing costs "across the board", this has prompted Mr Cooke to trim his interim forecast from £460m to £445m pre-tax and shift his recommendation from "buy" to "hold".

Currency worries are no new factor for Glaxo watchers, although yesterday's warnings fell on a nervous market. Glaxo's fall of ⅛ to 10⅛ stood out among the international stocks, and the shares could be left out if the market stages a recovery.

An already punch-drunk Stores sector took more punishment from news of another downgrade. Analysts at Hoare Govett have dropped their forecast for Lowndes Queensway's 1989/90 profits from £26.5m to £17m. The fact that Hoare Govett are brokers to the company magnified the negative impact of the news.

Lowndes is regarded as particularly exposed to the effects of higher credit costs. "The furniture market is at the upper end of the discretionary spectrum where rising interest rates have a marked effect on sales," commented one analyst. By the close, Lowndes had dropped to a low of 49½p before recovering to 52p, down a penny on the day.

Scottish fashion retailer Goldberg dropped 10 to 185p in early trading in reaction to Thursday's offer from investment group Charterhall for textiles concern Corah – a move which dampened hopes that Charterhall would use its 25.8 per cent stake in Goldberg to launch a bid.

The fact that Charterhall was financing the Corah acquisition with a loan from Hong-Kong Shanghai Bank also suggested that it does not have the cash to bid for Goldberg, said one dealer. However, he went on to say that if Charterhall sells its stake in Goldberg, the latter's shares could stage something of a rally. Goldberg eventually recovered slightly to close 8 down at 187p.

There was good business in the both the underlying stock and the options of Sears, down 2¼ at 115½p, and Storehouse, 1½ easier at 202½p. County NatWest Woodmac now believes it unlikely anyone will bid for Storehouse. "There is no hidden potential for any predator to unlock. The recent market activity merely reflects the lack of genuine business and the market's gullibility," said Mr John Richards of County.

With the exception of Glaxo, down sharply albeit in light trading, losses in the market leaders were small. ICI (972), Beecham (449p) and Fisons (232p) ended the session within a few pence of overnight levels.

On the brighter side, there were buyers again for Reuters, 7 better at 468p despite uncertainties hanging over the financial services industry globally. A small gain in Unilever at 443p reflected persistent takeover speculation; however, traders were unimpressed by suggestions that Nestlé might be interested. One comment was: "Nestlé has been named as a possible bidder for just about every name in the food and consumer products business."

Dealers reported good support at the lower levels for the clearing banks. "For three days this week there has been no stock about and now we get this, its very nervous, every deal is a defensive one" was the comment from a leading banks trader.

The building market remained under a cloud – "all sellers, widespread disappointment and the prospect of more bad news on the interest rate front to come – I'm going home early", one dealer in the sector said.

The housebuilders bore the brunt of the selling with Bryant sold hard and heavy down to 90p at one point after one of the top UK securities houses was said to have downgraded its profits forecast from some £62m to £57m; by the close Bryant shares had rallied to close a net 6 off at 96p.

Unigate remained firmly in the speculative frame, climbing 6 to 291p on turnover of 1.8m shares. The suggestion that someone is building a stake in the group was backed up by reports that one broking house has been picking up stock at every available opportunity, possibly for a European client.

Cadbury Schweppes remained buoyant on speculation that US group General Cinema might still make an offer for the UK foods giant. "Would General Cinema sell off its drinks division in the US unless it was thinking of buying a drinks group in Europe?" asked a dealer.

There was widespread selling of Bejam in the wake of the revised bid from Iceland Frozen Foods which so disappointed the market in midweek. Compared to Thursday's 18-point drop, yesterday's fall of 9 to 161p indicated that speculators were returning to the stock, said one salesman. Iceland closed unchanged at 320p.

British Steel issue

The impact of a successful over-subscription of the British Steel issue was slightly clouded by yesterday's shake-out in the equity market. Even after disregarding a brief bout of nerves while the market anxiously awaited an official announcement following yesterday's 10.00 am deadline for applications, traders sounded none too confident ahead of Monday's 2.30pm start of dealings. Lacking a grey market to assess prospects for the likely premium on the 60p partly-paid stock, dealers continued to focus on the IG Index quotation, which invites customers to estimate the closing price on Monday. The Index was 64p-66½p yesterday, against 61½p-64½p overnight.

Christy Hunt, the management services company, swam against the tide putting on 17 to 69p to bring the price in line with the level of the agreed £36.7m bid from the West Midland group, Triplex Lloyd. The latter produced pre-tax interim figures of £2.96m, compared with £1.34m, together with plans to expand further into Europe and the US next year, but lost 15 to 173p.

Cannon Street Investments lost 13 to 267 amid disappointment with the flotation of its telephone subsidiary Betacom; the underwriters have been left with 37 per cent of the issue.

Motor stocks incurred double-figure losses with Lancaster falling 12 to 129p as market-makers scrambled to correct overweight positions. Jaguar, however, responded to late US interest and finished up on balance at 263p.

Lowe Howard-Spink shares weakened 20 to 328p on ill-founded stories that deputy chairman Mr Tim Bell was about to leave the group. Chairman Mr Frank Lowe said yesterday the reports were "absolutely untrue" and probably stemmed from meetings with fellow agency Dewe Rogerson which is participating jointly in a privatisation issue.

Increased first-half profits coupled with talk that the company was planning visits to several City brokers lifted USM-listed Millward Brown 15 to 147p.

William Collins issues suffered from the attack on its trading record, which formed part of the News International offer document. Mr Ian Chapman, chairman of the Glasgow-based publisher, expressed astonishment over the claim, but the company's "A" shares lost 15 to close at 615p, still well above the News International offer price of 535p.

Tiphook shook off the surrounding weakness and pressed higher to a peak for the year of 443p, up 5. County NatWest WoodMac remains keen on the stock, since placing it on the buy list after June's good figures. Last October Tiphook announced a hefty acquisition, paying £70m for Rentco International, which the securities house described at the time as "a quantum leap".

It is now Europe's largest trailer rental group and well positioned to take advantage of what is seen as a growth industry in a single market. County analysts expect the favourable news to continue when the company reports its interim results on December 20.

Property stocks were hit by deepening concern about interest rates. Although dealers reported little client selling, the widespread markdown tempted some institutions to sell as prices dropped. MEPC remained weak after Thursday's unexciting figures and asset revaluation, dropping to 550p before recovering to 556p, down 2 on the day.

Local London plummeted 28 to 442p amid talk that leisure group Brent Walker will not now be bidding for the property concern. The shares were not helped by talk that Brent Walker's near 30 per cent stake in Local London was up for sale.

The list of falls among out-of-fashion Textile issues inevitably included Courtaulds, which came to rest at a low closing point for the year of 245p. The day's loss of 3½ completed a torrid week for the shares, bringing the overall drop to 23½. Termination of the remaining bid talks left Illingworth Morris 6 easier at 169p but revived speculative inquiry raised West Trust 4 to 35p.

Worries about interest rates and the immediate course of Wall Street, plus the 25 cents-a-barrel decline by crude oil prices, upset the oil and gas sector.

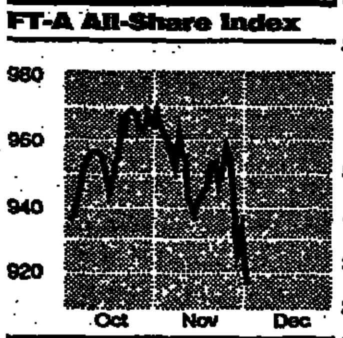
BP old settled 1½ off at 243p on turnover of 3.4m despite confirmation of a "significant offshore extension of the Wytch Farm reservoir" following drilling of the 98/6-E well in Poole Harbour. BP new were 2 down at 141½p on turnover of 4m.

Turnover in traded options rose to the relatively high level of 43,034 contracts, comprised of 20,052 calls and 22,982 puts, as dealings in the FT-SE 100 index again ran away with a bulk part of the business. The December 1800 calls attracted the greatest attention, with 2,041 contracts traded, though there was almost no change of open interest in the series on the early count.

British Steel is to be quoted on the options market from 2.30 p.m. on Monday.

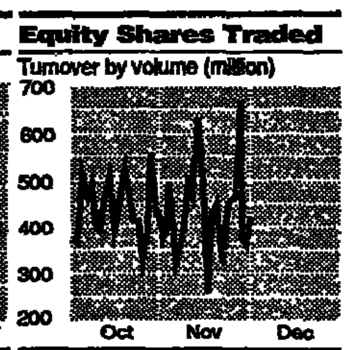
■ Other market statistics, including the FT-Actuaries Share Index, Page 9.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change
ASDA Group	[illegible]	[illegible]	[illegible]
Allied-Lyons	[illegible]	[illegible]	[illegible]
Amstrad	[illegible]	[illegible]	[illegible]
Argyll Group	[illegible]	[illegible]	[illegible]
Ass. Brit. Foods	[illegible]	[illegible]	[illegible]
BAA	[illegible]	[illegible]	[illegible]
BAT	[illegible]	[illegible]	[illegible]
BET	[illegible]	[illegible]	[illegible]
BICC	[illegible]	[illegible]	[illegible]
BOC	[illegible]	[illegible]	[illegible]
BP	[illegible]	[illegible]	[illegible]
BTR	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
Barclays	[illegible]	[illegible]	[illegible]
Bass	[illegible]	[illegible]	[illegible]
Beecham	1,900	449	-2
Blue Arrow	2,100	98½	-½
Blue Circle	2,300	429	-3
Boots	2,800	213	-3
British Airways	711	154½	-½
Brit. Aerospace	1,500	430	-1
Brit & Comm.	1,000	228	-4
British Gas	4,000	156½	
British Land	765	351	-7
BP	3,400	243	-1½
British Telecom	7,400	253	-2
Burmah Oil	753	488½	-6½
Burton	4,000	172	+1
Cable & Wireless	2,200	365	-3
Cadbury Schweppes	3,626	346½	+1½
Coats Viyella	5,500	150	-4

Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]
Granada	1,700	316	+2
Grand Met.	2,600	446	-3
GUS A	169	987	-1
GRE	2,500	177	-2
GKN	800	301	-8
Guinness	519	328	-½
Hammerson 'A'	505	887	-9
Hanson	7,100	152½	-1½
Harrisons & Cros.	89	651	-7
Hawker Siddeley	540	522	-2
Hillsdown Hldgs	4,200	252½	-3½
[illegible]	2,100	[illegible]	-7½
Imp. Chem.	995	973	-3
Inchcape	2,100	286	-2
Jaguar	1,400	263	+5

Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]
Pearson	374	661	-9
Pearl	654	488	-3
P & O	1,400	544	-9
Pilkington	1,370	213	-3
Plessey	2,100	208½	-½
Prudential	2,700	185	-2
Racal	1,750	268	-3
Rank Org.	552	681	-4
RMC	1,200	482	-9
RHM	219	344	-4
Reckitt & Colman	425	983	-5
Redland	1,100	408	-4
Reed International	1,600	365	-9
Reuters 'B'	787	468	+7
RTZ	2,200	426	-9
Rolls Royce	2,900	127	-2

Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]
TSB	2,600	106½	-½
Tarmac	3,200	217	-4
Tate & Lyle	674	833	-7
Tesco	13,000	133½	-½
THORN EMI	1,300	632	-7
Trafalgar House	1,200	306	-2
Trusthouse Forte	1,500	259	-½
Ultramar	1,500	243	-9
Unilever	1,700	443	+2
United Biscuits	680	287	-2½
Utd. Newspapers	479	387	-3
Wellcome	708	487	-7
Whitbread 'A'	565	285	-2
Williams Hldgs.	1,700	257	-7
Wimpey	2,400	247	-2½
Woolworth Hldgs.	1,700	245	+0

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (7). [illegible] ... Ass. Brit. [illegible] ... (8) Astra Hldgs., Cambridge Isotope Labs., Coates Bros., Engelhard, Hercules, Thurgar Bardex, STORES (9) ELECTRICALS (16) ENGINEERING (1) Glynwed Int. FOODS (8) Gateway Corp., Hughes Food, Hunter Saphir, INDUSTRIALS (13) Aukett Assoc., Baynes (C.), Bear Brand Wrrnts., Bluebird Toys, Colorol, Eagle Tst., Harlons 7pc Pf., Hepworth, Highgate & Job, Jackson Bourne, [illegible] ... Rockfort, Savills, Sinclair Goldsmith, SHIPPING (2) P. & O. Sub Wrrnts. '88-'92, Do. 6¾pc Cv. Rd. Pf., TRUSTS (5) Derby Tst. Cap., Tor Inv. Cap., Biotechnology Inve., Smith New Court, Do. Cv. Cm. Pf., York Tst., OILS (4) Claremont, Clyde Pet., Hunting Pet. 10pc '97, Kelt Energy, MINES (11) THIRD MARKET (3) Chelsea Artisans, Egl'ton. Exp., Fellrim Mining.

COMMODITIES

WEEK IN THE MARKETS

Copper and zinc carry on rising

FRIDAYS ARE not traditionally noted for heavy buying on commodities markets – no-one wants to be too exposed ahead of the weekend break. And the approach of the extended Christmas holiday is usually seen as a further reason for caution. But such concerns seemed far from the minds of London Metal Exchange traders yesterday.

As fresh supply worries reinforced the established bullish tone cash copper surged to a new record; nickel leapt to a five-month high; and aluminium moved back towards the two-month peak seen in early November. Even lead managed to break out of its recent trading range to close at a 15-month high.

Only zinc failed to join in the fun, the cash price hovering just a few pounds below the all-time peak reached earlier in the week. However, the three months delivery price edged up to a record level.

The performances of copper and lead this week were especially noteworthy as, being denominated in sterling on the LME, both were held back by the pound's strength against the dollar – copper by a notional £14 a tonne and lead by about £3. Even so cash grade A copper ended £80 up on the week at £1,967.50 a tonne, and cash lead registered a £15.50 rise at £408 a tonne.

Having weathered last month's heavy shake-out and a relatively minor technical "correction" in the early part of this week, the copper market found plenty of fundamental factors to fuel its late surge. Talk of production setbacks at mines in Chile, because of a machine breakdown, and Papua New Guinea, because of sabotage, reinforced the already strong sentiment encouraged by the Peruvian miners' strike, now dragging towards its ninth week, lagging production in the African copperbelt (because of spare parts shortages) and uncomfortably low world stock levels.

LME warehouse stocks of copper rose by 2,475 tonnes to 65,500 last week, when a fall of up to 10,000 tonnes had been predicted, but traders are dismissing that as an aberration and many are still convinced the total will dip below May's 14-year low of 41,425 before long. For this week estimates are for a fall of between 5,000 and 10,000 tonnes.

According to John Harris, analyst with Rudolf Wolff, the London metals broker, the copper market's strength is emanating chiefly from New York, where Comex stocks are already at a record low. It is producers who are doing most of the buying, to cover shipment requirements, while consumers are generally standing aside from the market.

The platinum price appeared also to have re-established its upward trend following a sharp shake-out until it met with a fresh setback yesterday. As concern resurfaced about the tightness of supplies available for immediate delivery the London bullion market price was driven to a six-month high of $608.75 a troy ounce on Thursday, up $25.75 from last Friday's level. But renewed selling cut the price by $10.

The most significant development among the softs was the triggering, at long last, of a 1m bags (60 kg each) addition to the International Coffee Organisation's global export quota for 1988-89.

Under a producer-consumer deal hammered at at the beginning of October, the extra coffee was to be released if, before the end of the year, the 15-day average of the ICO's composite daily indicator price exceeded 114.40 US cents a lb (the level ruling at the time of the agreement). Both sides had expected the increase to be triggered within a few weeks, but in the event coffee prices failed to come up to expectations and for a while it seemed that the prospect of the extra quota was itself imposing a ceiling on the market.

In recent weeks, however, supplies of robusta coffee have become increasingly tight, and the resulting price rise finally pushed the overall average – which takes account of the more-favoured arabica coffee as well - above the required level on Wednesday. A second clause in the October deal stipulated that the extra quota would be devoted to arabica suppliers if the robusta indicator price at the time of triggering was 25 per cent or more below that for arabica – a requirement that was easily fulfilled.

Consumers are now hoping that the 15-day average will remain above the trigger level for another 15 days, in which case a further 1m bags of quota would be released.

On the cocoa market interest continued to be focussed on the long-awaited deal under which France is expected to finance the removal from the market of 200,000 to 400,000 tonnes of surplus Ivory Coast cocoa. Paris traders reported on Wednesday that agreement has been reached. But the following day French government officials categorically denied this.

Richard Mooney

APPOINTMENTS

■ BEACON CONTROLS, Bradford, has appointed Mr Simon Browning as managing director. He was operations director, and takes over from founder Mr Jim Bunting who continues as chairman.

■ Mr A.H. Richardson, manager, international fleet administration, Mobil Shipping and Transportation Company, New York, becomes managing director of MOBIL SHIPPING COMPANY, London, on February 1 when Mr Peter Biles retires.

■ Lord Fanshawe has been appointed a non-executive director of RANK XEROX (UK).

■ Sir Richard Lloyd, joint chairman of Hill Samuel Bank, has been appointed a non-executive director of TSB GROUP. He becomes non-executive chairman of Hill Samuel Bank on January 1.

■ Dr John G. White has been appointed a non-executive director of VIBROPLANT. Mr Brian St John, an executive director, and Mr Michael B. Pilkington, a non-executive director, have resigned.

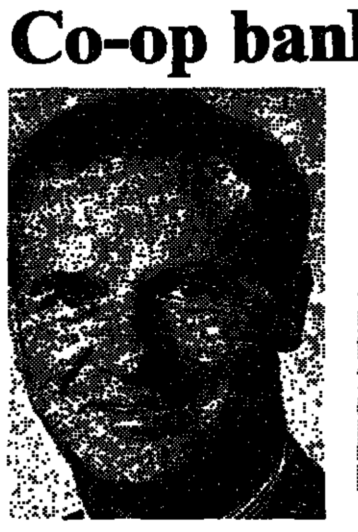
Mr Timothy K. Pistell (above) has been appointed vice president - finance/controller, international sector, PARKER HANNIFIN CORP., Watford. He held a similar post at the company's Fluidpower Group in the US.

■ Mr John Betterton has been appointed a director of BOWMER & KIRKLAND. He is chief quantity surveyor.

■ Ms Alice G. McNeill has been electerd vice president at FIRST WACHOVIA CORPORATE SERVICES INC., in London. She is a corporate banking officer in the international division.

■ Mr Peter Barber has been appointed managing director of HOME & LAW PUBLISHING. He was deputy managing director, and takes over from Mr Terry Humphreys, who has been appointed group managing director, Maxwell Consumer Magazines. Mr Duncan Grant, publishing director, has been appointed deputy managing director.

Co-op banking posts



Mr David Dickman (left) has been appointed corporate banking manager at the Manchester branch of THE CO-OPERATIVE BANK. He was director (alternate) corporate at Unity Trust, a subsidiary of the bank. Mr Brian Jenkins (right) becomes manager, personal banking, at the branch. He was personnel manager for the bank. Mr John Siddalls has been appointed senior manager of the bank's City office in Cornhill.

■ Mr George Ladley has been appointed to the board of THE BALDWIN GROUP and as managing director of Ambassador Packaging.

■ From January 1 Mr Brian Hudson will become managing director and chief executive of DEN NORSKE CREDITBANK, London. He succeeds Mr Lars Thulin, who will be returning to Oslo as head of the DnC Group's international division. Mr Hudson was deputy managing director, and has been with the bank since 1978. His twin brother, Mr David Hudson, is chief executive of Henry Ansbacher.

Schroders subsidiaries directors

■ SCHRODERS has made the following appointments. Mr J.M. Cox, Mr J. Horsburgh and Mr H. van der Klugt become directors of Schroder Pensions. Mr J.C. Henderson becomes a director of Schroder Personal Financial Management. Mr J.P. Bainbridge becomes a director of SIM Unit Trust Management. Mr Graham Gower, formerly a partner of Knight Frank & Rutley, has been appointed a director of Schroder Properties.

■ Mr D.M. de Groot has been appointed a non-executive director of ELECTRONIC MACHINE COMPANY. He is a director of corporate finance with McCaughan Dyson Capel Cure.

■ Mr Mike Hiscock, sales director, has become international technical business director of CARADON MIRA. Mr Chris Kitching has been appointed marketing and sales director. He was managing director of the UK sales and marketing division of Fisher Price.

■ MADOFF SECURITIES INTERNATIONAL has appointed Mr Tony Marshall and Mr John Purcell as executive directors. They join from Prudential Bache Securities.

■ STURGE LLOYD'S AGENCIES has appointed Mr James W.S. Macdonald to the board.

■ From the New Year, Mothercare's property interests will be handled by Mr Peter Adams, newly-appointed director of the STOREHOUSE specialty retailing division, which will bring together the property departments of Mothercare and Richards. Mr Albert Mowlem, property director of Mothercare UK, retires at the end of December. He was part of Mr Selim Zilkha's original team that started Mothercare in 1961.

■ Mr Paul Thomas, an investment manager with ECI Ventures, has been appointed a non-executive director of SYLTONE, Bradford. Mr Ian A.N. Hendriks, a non-executive director, has resigned.

Chairman of IFICO

■ Mr Claude Charles has been appointed chairman of IFICO following the retirement of Mr John Sleeman. Mr Nicholas Stonard becomes finance director, and Miss Elizabeth Harris is made assistant company secretary.

Restructure at NatWest

■ NATIONAL WESTMINSTER BANK is making the following appointments on January 1.

In corporate and instutional banking Mr D.A. Ingham becomes general manager; Mr R.A. England, director of marketing services; Mr F.M. Leeson, director of corporate banking, North America; Mr R. Currie, director of corporate banking, Europe and Scandinavia; Mr P. Hurst, director of corporate banking, Asia and Far East; Mr P.G. Newman, director of corporate banking UK; and Mr C.J. Hood, director of corporate banking, global specialised industries.

In international businesses, Mr I.R. Farnsworth becomes director of European businesses, and Mr D. McCallum, director of international private banking.

In corporate and institutional banking group credit control Mr D.G. Russell becomes deputy general manager and Mr P. Nurse, assistant general manager.

Appointed to corporate and institutional banking are: Mr D.F. Goodman, who becomes director of strategic planning and financial control. In group treasury and capital markets Mr J.S. Chester and Mr E.R. Porter become deputy group treasurers; Mr P.J.S. Wise, director of administration; Mr P.A. Winchester, UK treasurer; and Mr J.H.R. Leopold, assistant group treasurer. In corporate and institutional finance Mr B.P. Horn is made director of planning and control, and Mr A.D. Plummer, director of sovereign risk.

In support services, Mr A.G. Bignell is appointed deputy general manager, information technology, while Mr D.E.A. Harris becomes deputy general manager, central services. Mr H.M.V. Gray is made deputy general manager, strategy and communications. Mr D.W. Haigh becomes assistant general manager, financial control division.

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AUTHORISED UNIT TRUSTS

BANK RETURN

BANKING DEPARTMENT	Wednesday November 30, 1988	Increase (+) or decrease (-) for week
LIABILITIES	£	£
Capital	14,553,000	
Public Deposits	95,255,530	- 6,352,888
Bankers Deposits	1,253,100,252	- 21,430,086
Reserve and other Accounts	1,881,188,374	+ 119,103,981
	3,244,097,156	+ 91,321,007
ASSETS		
Government Securities	812,246,151	- 1,297,186
Advance and other Accounts	776,181,350	+ 191,629,551
Premises Equipment & other Secs	1,642,832,010	- 108,444,324
Notes	12,602,894	+ 9,435,076
Coin	234,751	- 2,110
	3,244,097,156	+ 91,321,007
ISSUE DEPARTMENT		
LIABILITIES		
Notes in circulation	14,647,397,106	+ 190,564,924
Notes in Banking Department	12,602,894	+ 9,435,076
	14,660,000,000	+ 200,000,000
ASSETS		
Government Debt	11,015,100	
Other Government Securities	10,387,938,458	- 221,659,390
Other Securities	4,261,046,442	+ 421,659,390
	14,660,000,000	+ 200,000,000

RISES AND FALLS

	On Friday Rises	Falls	Same	On the week Rises	Falls	Same
British Funds	12	76	23	184	288	83
Corps. Dom. & Foreign Bonds	0	19	32	25	61	169
Industrials	166	814	601	1,488	2,915	3,482
Financial and Props	50	313	307	662	974	1,706
Oils	15	40	51	103	179	248
Plantations	1	1	11	6	13	46
Mines	33	60	97	156	272	522
Others	58	92	97	365	421	454
Totals	335	1,415	1,219	2,989	5,123	6,710

LEADERS AND LAGGARDS

Percentage changes since December 31 1987 based on Thursday December 1 1988

Overseas Traders	+41.77	All Share Index	+ 6.37
Property	+31.93	Health & Household Products	+ 5.83
Mining Finance	+24.39	Banks	+ 5.52
Leisure	+22.44	Industrial Group	+ 5.33
Electricals	+17.95	500 Share Index	+ 4.91
Investment Trusts	+17.45	Insurance(Brokers)	+ 3.79
Electronics	+16.75	Motors	+ 3.01
Conglomerates	+15.12	Oil & Gas	+ 2.29
Brewers and Distillers	+14.96	Consumer Group	+ 1.77
Telephone Networks	+14.53	Building Materials	+ 1.71
Mechanical Engineering	+13.52	Insurance(Composite)	+ 1.37
Food Manufacturing	+12.90	Agencies	- 0.89
Shipping & Transport	+11.11	Publishing & Printing	- 1.21
Metals & Metal Forming	+ 9.79	Chemicals	- 2.92
Capital Goods	+ 9.58	Insurance(Life)	- 3.61
Contracting, Construction	+ 8.33	Merchant Banks	- 5.51
Financial Group	+ 7.78	Food Retailing	-11.90
Other Groups	+ 7.47	Stores	-16.41
Packaging & Paper	+ 7.38	Textiles	-20.32
Other Industrial Materials	+ 7.36	Gold Mines Index	-40.75

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.
OFFER PRICE
The price at which units may be bought.
BID PRICE
The price at which units may be sold.
CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.
TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♣ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♦ - 1701 to midnight.
HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.
FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes are contained in the last column of the FT Unit Trust Information pages.

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Swiss Life Pen Tst Man Co Ltd (1800)H
99-101 London Rd, Sevenoaks 0732 450161

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
Equity Dist	5	314.4	323.8	342.6	-1.9	3.25
Equity Acc	5	414.7	421.4	445.9	-2.5	3.25
Fixed Int Dist	5	112.9	114.4	118.6		8.56
Fixed Int Acc	5	207.9	210.9	218.5	+0.1	8.56

TSB Unit Trusts (y) (1000)F
Charlton Pl, Andover, Hants. SP10 1RE 0264 62436

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
TSB American	6	92.06	92.81	98.73	-0.87	5.35
Do Accum	6	98.81	99.60	105.96	-0.88	2.35
TSB Brit Growth	6	52.54	52.54	55.89	-0.50	3.44
Do Accum	6	54.98	54.98	58.49	-0.52	3.44
TSB European	6	51.00	51.00	54.26	-0.67	1.07
Do Accum	6	52.39	52.39	55.73	-0.69	1.07
TSB Extra Income	6	145.83	146.98	156.36	-0.62	5.93
Do Accum	6	185.97	189.12	201.83	-0.89	5.93
TSB Smaller Cos	6	51.65	53.72	57.15	-0.29	1.46
Do Accum	6	52.57	54.68	58.17	-0.29	1.46
TSB General	6	172.15	173.36	185.37	-1.54	3.65
Do Accum	6	297.99	300.05	319.19	-1.39	3.65
TSB Premier Income	5	46.83	47.28	49.25	+0.06	9.32
Do Accum	5	71.89	72.58	75.60	+0.09	9.32
TSB Income	6	255.20	259.15	275.69	-2.55	5.17
Do Accum	6	434.12	440.84	468.98	-4.33	5.17
TSB Pacific	6	207.98	211.34	224.72	-0.15	0.32
Do Accum	6	216.04	219.43	233.65	-0.16	0.32
TSB International	6	315.97	319.84	340.26	-0.38	0.87
Do Accum	6	399.28	404.15	429.95	-0.49	0.87
TSB Nat. Resources	6	57.24	58.54	62.28	-0.40	1.72
Do Accum	6	60.67	62.05	66.01	-0.40	1.72
TSB Sicial Opps	6	76.29	76.29	81.16	-0.85	2.82
Do Accum	6	87.11	87.11	92.67	-0.97	2.82

Target Trust Mngrs Ltd (1600)H
Target Hse, Gatehouse Rd, Aylesbury, Bucks.
Admin: 0296 394000 Dealing: 01-379 0860

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
American Eagle ◊	5	58.56	58.60	62.72	-0.02	3.35
Australia	5	6.756	6.756	7.229	-0.03	0.10
Commodity	5	72.05	72.05	77.75	-0.42	1.64
Convertible	5	139.4	139.4	150.5	-0.8	5.08
Equity	5	147.5	147.8	159.3	-0.9	3.28
Euro Spec Sits	5	80.35	80.95	86.25	-0.33	1.58
Financial	5	29.62	29.62	31.90	-0.32	2.14
Global Opps Inc	5	53.33	53.33	57.41	-0.47	0.45
Global Opps Acc	5	53.73	53.73	57.84	-0.48	0.45
Gold Income	5	43.28	43.28	46.57	-0.5	0.00
Gold Acc	5	79.72	79.72	85.78	-0.92	0.00
Income	5	99.63	99.63	107.3	-1.2	8.72

Local Authorities Mutual Invest. Tst.*
2 Fore Street, London EC2Y 5AQ 01-588 1815

	Bid Price	Offer Price	+ or -	Yield Gross
Property Oct 31		211.95		5.79
Equity Oct 31		714.70		3.98
Fxd Int Stc Oct 31		100.78		9.98

* Available only to Local Authorities.

MIM Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Mngd Pens (Acc)	54.6	58.2		0.80

Murray Johnstone UT Mngmt
Murray Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Amer Exmt Nov 30	34.8	37.7	+0.0	2.53
Euro Exmt Nov 30	40.8	42.8	+0.0	2.71
Fixed Int Ex Nov 30	49.0	51.3	+0.0	9.93
Japan Exmt Nov 30	55.7	58.4	+0.0	0.43
Managed Ex Dec 1	37.9	39.6	+0.0	4.06
SE Asia Exmt Nov 30	33.7	35.3	+0.0	2.12
Sm Cos Exmt Nov 30	42.4	44.5	+0.0	2.85
UK Eqty Ex Nov 30	34.6	36.3	+0.0	4.6

New Court Property Fund Managers

	Bid Price	Offer Price	+ or -	Yield Gross
NC Property	191.5	209.3		–

Phillips & Drew Fund Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
PDFM Small Co's Nov 1	815.0	861.0		3.85
Do Accum	842.0	889.0		3.85
PDFM Int Exmt Dec 1	120.0	122.1		2.46

J. Rothschild Fund Managers Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
JMJ Exempt	96.10	97.33	–	2.49

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)

	Bid Price	Offer Price	+ or -	Yield Gross
AA Friendly Sy Nov 11	–	143.4		–

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

	Bid Price	Offer Price	+ or -	Yield Gross
Prop. Ser. 1	261.1	206.9		–
Equity Ser. 1	110.5	116.4	-0.4	–

Barclays Life Assur. Co Ltd—Contd.

Black Horse Life Ass. Co Ltd

OTHER UK UNIT TRUSTS

Continued on next page

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Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Phoenix Assurance Co Ltd

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Equity & Life Ass. Co

Property Growth Assur Co Ltd

Providence Capital Life Ass. Co Ltd

Providence Capital Life Asse. Co Ltd – Contd.

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co Ltd

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Heritage Life Assurance Ltd – Contd.

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Skandia Life Assurance Co Ltd – Contd.

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life Pensions Ltd

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

Wesleyan & General Assurance Soc

Windsor Life Assur Co Ltd

Zurich Life Assurance Co Ltd

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

UK LISTED

Investment Portfolio Services Ltd

Johnson Fry Plc

Kingsdale Financial Management

Knight Williams & Company Ltd

Lamont & Partners Plc

M & E Financial Management Plc

Marsh Financial Management Ltd

Noble Lowndes & Partners Ltd

The Normandy Group

O'Halloran & Co/Countrywide

PSR Fund Management Ltd

The Porchester Group

Rostrevor Financial Management Ltd

Sharp (Albert E) & Co

Siltala Fund Managers Limited

Tattersall Investment Mngt. Ltd

Tawry Law & Co

Yorkshire & Lancashire Investment Mgt.

Citibank – Contd.

Delta Group

EBC Trust Company (Jersey) Ltd

Foreign & Colonial Mngmt (Jersey) Ltd

Framlington Overseas Fund Mngt. Ltd

GT Management Plc

Gartmore Investment Ltd

Global Asset Management Corpn.

John Govett Management International Ltd

Grofund Invest Managers (Guernsey) Ltd

Group One Limited

Guinness Flight Fd Mngrs (Guernsey) Ltd

Hambros Fd Mgrs (CI) Ltd

Hill Samuel Fund Mngrs (Jersey) Ltd

Ivory & Sime (Guernsey) Ltd

Ivory & Sime Pembroke Inc

Jardine Fleming Inv Mngt Ltd

Kleinwort Benson (Guernsey) Fd Mngrs Ltd

Lloyds Bank (CI) U/T Mgrs.

M&G Britannia International Limited

Minerals, Oils Res. Shrs. Fd. Inc.

MIM Schroder Financial Mgmt Intl Ltd

PFC Internatl Portfolio Fd Mngt Ltd

Prudential Intl Financial Services Ltd

Prudential Intl Financial Services Ltd – Contd.

Quilter International Management Ltd

Rothschild Asset Management

Royal Bank of Canada Funds

Royal Trust Fd Mngt Ltd

Save & Prosper International

Schroder Mngt Services (Jersey) Ltd

The Slam Fund (Cayman) Ltd

TSB Trust Funds (CI)

Target International (Europe) Ltd

The Thai-Euro Fund Ltd

The Thailand Intl Fund Ltd

Thornton Investment Management Ltd

Touche Remnant (Guernsey) Limited

Tyndall International (Jersey) Ltd

Union-Investment-Gesellschaft GmbH

Warburg Investment Management Jersey Ltd

IoM AUTHORISED

Allied Dunbar International Fund Mgrs.

Asset Global Funds Ltd

Barclays Intl Funds

Equity & Law International Fund Mgs Ltd

Gartmore Fund Managers (IoM) Ltd

Henderson Scandinavian Fund Ltd

Mercury Fund Managers Isle of Man Ltd

Refuge Overseas

Tyndall International (Isle of Man) Ltd

OFFSHORE INSURANCES

Albany International Assurance Ltd

هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Stock	Int. Yield	Red. Yield
Treas 11½pc 1989	11.55	12.93
Treas 9½pc Cnv 1989	9.61	12.76
Treas 3pc 1989	3.10	10.73
Treas 10½pc 1989	10.17	12.66
Exch. 10pc 1989	10.17	12.66
Exch 11pc 1989	11.12	12.44
Treas 5pc 1986-89	5.25	10.88
Exch 10¼pc Cv '89	10.39	12.74
Treas 13pc 1990‡‡	12.85	11.77
Exch 11pc 1990‡‡	11.09	11.70
Exch. 12½pc 1990	12.30	11.81
Treas. 3pc 1990	3.30	10.10
Treas 8¼pc 1987-90‡‡	8.63	11.52
Treas. 8pc Cv 1990 ‡‡	8.29	10.42
Treas. 10pc Cv 1990	10.26	11.53
Exch 2½pc 1990	2.85	9.52
Treas 11¾pc 1991	11.70	11.47
Funding 5¾pc '87-91‡‡	6.40	10.77
Treas. 3pc 1991	3.48	9.49
Treas 10pc Cv '91 ‡‡	10.17	10.76
Exch. 11pc 1991	11.08	11.29
Treas. 8pc 1991	8.71	11.27
Treas 12¾pc 1992‡‡	12.23	11.07
Treas 10pc 1992	10.30	11.07
Treas 8pc 1992 ‡‡	8.73	11.05
Treas 10½pc Cv 1992‡‡	10.66	11.02
Treas. 3pc 1992	3.64	8.95
Exch. 12¼pc '92	11.85	11.00
Exch 13½pc 1992	12.57	11.04
Treas 8¼pc 1993	9.04	10.87
Treas 10pc 1993‡‡	10.27	11.76
Treas 12½pc 1993‡‡	11.82	10.87
Funding 6pc 1993‡‡	7.00	9.80
Treas 13¾pc 1993‡‡	12.41	10.88

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

Stock	Price £	Int. Yield	Red. Yield
Consols 4pc	44	9.09	–
War Loan 3½pc‡‡	39	8.83	–
Conv. 3½pc '61 Aft	61	5.69	–
Treas. 3pc '66 Aft	32	9.32	–
Consols 2½pc	27	9.07	–
Treas. 2½pc	27	9.07	–

Index-Linked

Stock (b)	+ or –	(1)	(2)
Treas 2pc IL '90(84.6)	.....	1.13	3.44
Do. 2pc '92‡‡(97.8)	.....	2.64	3.45
Do. 2 '94 (102.9)	+	3.14	3.62
Do. 2pc '96(67.9)	+	3.23	3.58
Do 2½pc '01(78.3)	–	3.47	3.71
Do. 2½pc '03(78.8)	–	3.54	3.75
Do. 2pc '06(69.5)	.....	3.59	3.76
Do. 2½pc '09(78.8)	+	3.59	3.75
Do. 2½pc '11(74.6)	+	3.58	3.74
Do. 2½pc '13(89.2)	+	3.57	3.72
Do. 2½pc '16(81.6)	.....	3.54	3.68
Do. 2½pc '20(83.0)	+	3.49	3.61
Do 2½pc '24‡‡(97.7)	+	3.44	3.56

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for March 1988:104.1 and for October 1988:109.5

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Contd

1988 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
20¼	13½	TRINOVA Corp.	14⅛	+½	64c	—	2.5
19	14⅛	USX $1	14¼	.....	$1.40	—	5.2
140p	44p	Unilab	127p	+2	—	—	5.2
24⅞	17½	Utd. Technologies	21⅛	−⅛	$1.60	—	4.1
163p	27p	Utilitech Incorp	133p	+4	—	—	—
34⅝	26¾	US West	31¼	−⅛	$3.52	—	6.3
24⅞	16⅞	Waste Management $1	21½	−⅛	48c	—	1.2
16⅞	12⅞	Whirlpool $1	13⅛xd	.....	$1.10	—	4.6
21⅛	16¼	Whitman Corp.	17⅜xd	.....	96c	—	3.0
33⅞	18¼	♦Woolworth $3½	27⅞	+¼	$1.64	—	3.3

CANADIANS

1988 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
309p	154p	ABM Gold Corp ‖	159p	.....	—	—	—
32p	7p	♦Abbot Energy Corp.	7p	.....	—	—	—
14¼	916p	♦Amer. Barrick Res.	920p	−6	—	—	—
10p	2½p	American Lightwave	3p	.....	—	—	—
47p	7½p	♦Armeno	14p	.....	—	—	—
76p	36p	Augmitto Expln	40p	+2	—	—	—
14⅜	10⅝	Bk. Montreal ‖	12⅛	.....	$2.00	—	7.4
769p	514p	Bk. Nova Scot. ‖	665p	.....	76c	—	5.2
18¾	15¼	BCE ‖	17½xd	.....	$2.44	—	6.3
716p	527p	♦Bow Valley‖	580p	+6	♦40c	—	3.1
13⅝	10½	♦Brascan‖	11⅛	+⅛	88c	—	3.5
328p	177p	♦Breakwater Res.	197p	+20	10c	—	2.3
12⅜	801p	Can. Imp Bank‖	11¼	.....	$1.16	—	4.7
11½	841p	Can. Pacific ‖	910p	+6	76c	—	3.8
41½	38½	Do. 4pc Deb £100	38½xd	.....	4%	—	10.4
515p	357p	Central Capital "A" ‖	392p	.....	—	—	—
485p	364p	♦Corona Corp.	364p	−11	—	—	—
886p	250p	Cons. TVX Min.	256p	−11	—	—	—
371p	41p	Danbus Res.	46p	+5	—	—	—
686p	430p	Derlan Inds.	500p	−6	11.75c	—	1.1
14¼	806p	♦Echo Bay Mines	807p	.....	$0.07	—	0.4
839p	249p	ECO Corp.	449p	−30	—	—	—
40p	11½p	Energex Minerals	16½p	.....	—	—	—
125p	83p	Euro-Asia Capital Ltd	89p	−1	—	—	—
386p	222p	♦Galactic Resources	261p	.....	—	—	—
423p	297p	Gandalf Techs. Inc.	301p	−6	—	—	—
125p	51p	♦Geodome Res.	66p	−2	—	—	—
394p	154p	Granges Expln‖	154p	−10	—	—	—
17p	4½p	♦Gt Pacific Res.	5½p	.....	—	—	—
903p	576p	♦Gulf Canada‖	609p	+1	52c	—	3.9
12⅜	816p	♦Hawker Sid Can‖	944p	−11	$1.08	—	5.6
590p	344p	Henlys Group	494p	−6	—	—	—
10	785p	♦Hudson's Bay ‖	967p	+6	60c	—	2.8
28	20¼	♦Imperial Oil‖	21⅝	−⅛	$1.80	—	3.8
20⅞	10⅛	Inco‖	17½	+⅛	US$0.90	—	2.5
718p	462p	♦Inland Nat. Gas $1	562p	−12	60c	—	4.9
250p	130p	Madeleine Mines	134p	.....	—	—	—
207p	126p	♦Muscocho Expln.	186p	.....	—	—	—
187p	50p	♦Ntnl Business Syst. ‖	57p	.....	—	—	—
245p	110p	♦Nevada Goldfields	120p	−7	—	—	—
12	787p	♦Rio Algom	972p	.....	$1.30	—	6.1
17⅜	11½	Royal Bk. Can. ‖	16⅝	.....	$2.08	—	5.7
35¼	26⅝	Seagram‖	31¼	−¼	US$1.20	—	2.1
361p	111p	♦Sonora Gold Corp‖	111p	.....	—	—	—
121p	18p	Spiral Eng.	45p	.....	—	—	—
150p	35p	Tam Pure Tech. Corp. ‖	89p	.....	—	—	—
18⅜	11⅜	Toronto-Dom. Bk. ‖	16⅜	.....	$1.12	—	3.1
684p	566p	♦Trans Can Pipe	637p	−5	68c	—	4.9
205p	127p	Varity Corp‖	148p	.....	B—	—	—

BANKS, HP & LEASING

1988 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
*259	124	ANZ $A1	252	−2	♦Q34½c	♦	6.8	♦
*271	180	Allied Irish	240xd	+2	F072%	3.1	6.4	8.3
£13¼	£10⅞	Algemene Fl.10	£11⅞	+½	Q27%	1.9	6.5	—
73	58	Anglo Irish	65xd	.....	Q19.69%	♦	6.3	♦
90	64	Ansbacher (H.) 1p.	82	.....	2.0	—	3.3	—
£40½	£24⅝	Banco Bilbao Viz.	£39⅞	.....	Q67.2%	3.1	4.1	7.7
£35⅝	£27⅞	Banco de Santander	£30½	−⅛	Q22%	2.4	1.8	23.7
*272	184	Bank Ireland IrE1	240	+2	Q15.67%	3.3	5.5	7.5
£18½	£15	Bank Leumi	£17½	.....	—	—	—	—

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INSURANCES

LEISURE

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

LEISURE—Contd

1988 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
163	140	Hi-Tec Sports	140	−2	13.6	3.4	3.4	10.2
32	14	Int'l Media Conn. 5p	18	−½	—	—	—	—
79	49	Jaitaaza's Hldgs 2p	73	−2	t2.05	1.4	5.4	15.6
46½	32	Kunick 10p	41	.....	t1.0	2.4	3.3	16.3
195	122	LWT 5p	160	.....	5.7	2.6	4.7	10.3
448	183	Land Leisure 10p	366	−5	t8.0	4.6	2.9	9.7
118	68	Leisure Inv 10p	69	−1	1.75	1.4	2.7	(27.3)
112	64	Leisuretime Int. 10p	83	.....	—	—	—	—
340	235	Marina Dev. 50p	358	−2	m2.8	3.5	0.7	70.3
228	157	Mecca Leisure 10p	164	−3½	K4.5	2.3	3.7	16.3
127	79	Medminster 10p	118	+1	3.67	2.6	4.1	12.5
182	126	Midsummer Leis 10p	171	−1	t1.6	3.1	1.2	28.6
460	208	Miss World 10p	431	.....	8.0	2.6	2.5	21.0
62	32	Mollbarr Visions 50p	42	.....	—	—	—	24.2
147	120	Noble Raredon 5p	145	.....	b1.35	1.5	1.2	71.7
23	17	Omnicorp Inv $0.05	28	.....	Q2c	9.5	9.5	4.7
169	87	Orient Ex Hlds $0.125	160	.....	—	—	—	—
89	61	Owners Abroad 3p	86	.....	g2.1	1.9	3.3	25.8
180	130	Pavilion Leisure 10p	130	.....	—	—	—	—
271	55	P'dilly Radio NV 5p	168	+3	3.25	♦	2.6	♦
264	175	Pickwick	227	.....	12.6	2.9	1.5	30.0
282	147	Pleasurama 5p	299	−4	t6.0	2.4	3.5	14.1
233	135	Do. 7pcCvCmRedPf	229	−1	7%	—	4.2	—
150	114	Prestwich	124	−8	1.25	7.5	1.3	13.3
142	78	Prism Leisure 10p	142	.....	4.40	2.5	4.2	12.0
254	122	Quadrant Group 10p	221	−5	F3.6	3.4	2.2	18.9
367	97	Radio City 'A' NV	338	.....	6.0	♦	—	♦
276	89	Radio Clyde	245	+2	5.75	♦	3.1	♦
610	494½	Really Useful Grp 5p	512	−3	15.0	2.3	3.9	15.0
239	167	Saga Group 20p	235	.....	14.6	1.2	2.6	40.4
110	78	Scott. Ice Rink 2½p	84	—	—	—	—	—
434	343	Scott. TV 10p	364	−1	t17.0	3.0	—	7.2
15	11	SelecTV 10p	12	.....	—	—	—	—
48	26	Spectrum 5p	32	.....	—	—	—	24.8
292	197	Stanley Leisure	253	−2	3.6	3.8	1.9	18.4
680	85	Sunset & Vine 5p	125	−2	12.4	2.9	2.6	15.3
74	62	TSW 5p	67	.....	3.15	2.6	6.3	8.2
179	129	TV-am 5p	148	.....	14.5	3.6	4.1	9.2
362	286	TVS Entertain 10p	304	.....	t12.5	2.9	5.6	8.2
109	101	Do. 7.4pc Prf	104	.....	7.4%	—	9.5	—
[illegible]								

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

[illegible]

IRISH

[illegible]

TRADITIONAL OPTIONS

3-month call rates

Industrials

[illegible]

Property

[illegible]

Oils

[illegible]

Mines

[illegible]

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £940 per annum for each security.

FINANCIAL TIMES
Weekend December 3/December 4 1988

Signs of US growth send markets tumbling

By Anthony Harris in Washington and Anatole Kaletsky in New York

RENEWED SIGNS of strong US economic growth yesterday sent bond prices tumbling as the markets braced themselves for a possible tightening in monetary policy.

The Labour Department announced that the number of Americans at work rose by 465,000 last month, partly reflecting a 100,000 downward revision in the October estimate. The US unemployment rate rose one-tenth of a percentage point in November to 5.4 per cent.

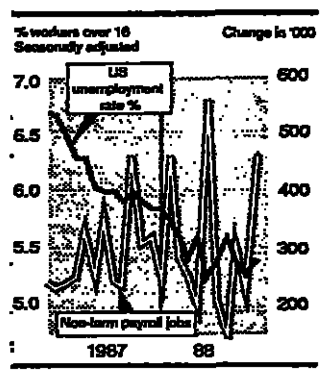
The announcement had an immediate impact on the markets. In early New York trading the Treasury's benchmark long bond fell 1¼ points to 92⅜ to yield 9.143 per cent. There were also sharp falls in other, shorter-term, government securities and big jumps in short to medium-term interest rates.

While the Federal Reserve Board, the US central bank, acted quietly in the money market to endorse slightly higher short-term interest rates, many analysts remained sceptical about its readiness to make a bold public gesture by raising its discount rate, currently 6½ per cent.

The bond market malaise was reinforced by other figures issued yesterday for manufacturing orders and housing sales which showed that the US economy remains buoyant.

The November increase in employment came after some months of slack employment growth. The figure for those employed was about 100,000 more than analysts had been expecting. In the strong first half of the year, employment growth averaged about 350,000 a month. Unemployment, by contrast, was unchanged last month, while the average working week fell by 0.2 hours to 34.7 hours.

This reflects the fact that most of the recent growth in employment has been in part-time jobs for women.



Indeed, according to the household employment survey, which is based on a sample, full-time employment actually fell in November.

These figures reflect broad trends in the US economy. For the year as a whole, part-time jobs have accounted for 1.1m of the total rise of 2.5m in civilian jobs, of which 2m have been taken by women.

The figures for manufacturing orders and shipments in October showed a 1.5 per cent recovery in orders, after a 1.9 per cent fall in September.

The pattern of growth appears to be changing, however: most of the increase in deliveries was in non-durables, which had a sluggish first half of the year, and civilian orders for durables were flat, after strong earlier growth. Orders for capital goods, notably machine tools, have weakened sharply in the last two months, after very strong earlier growth. Orders for the machinery sector fell by 0.7 per cent in the month, and for tools and computers by 3.3 per cent.

The figures had little impact on the dollar. By lunchtime it was trading at Y121.25 and DM1.7280, marginally down from its overnight level. The Dow Jones Industrial Average, which fell as much as 17 points in early morning trading was by lunchtime was nine points down at 2,093.

Simon Holberton writes: In London, the dollar was actively traded after the employment report was released but sterling also continued to be a feature of the market's interest.

The pound closed 0.2 higher at 78.3 on the Bank of England's trade-weighted sterling index and at DM3.21 and $1.8565.

The Bank was not sighted in the currency market yesterday, but an indication of its recent efforts to smooth the rise in sterling's value and support the dollar was given yesterday by official foreign currency reserves figures for November.

Britain's official holdings of foreign currency rose by an underlying $428 in November and stood at $51bn at the end of the month.

Move to support dollar lifts reserves, Page 4; Dollar gives up early gains, Page 11

Armenians expect enclave to be detached

By John Lloyd in Moscow

LEADERS of the powerful Armenian mass movement believe the Soviet Government will detach the disputed enclave of Nagorno-Karabakh from Azerbaijan when Mr Mikhail Gorbachev, the Soviet leader, returns from his forthcoming trip to the US, Cuba and UK.

The dispute over the largely Armenian enclave in the middle of Azerbaijan has fuelled rioting, and almost 20 deaths over the past two weeks.

A leading activist in the Karabakh committee, the main – and illegal – Armenian group which has been agitating for the enclave to be put under the control of Armenia, said last night: "Nagorno-Karabakh will be removed from Azeri hands. There will be articles soon in the Azeri press preparing them for this."

Such a decision would present the Soviet leadership with several options. Nagorno-Karabakh could be linked to Armenia, become a wholly-autonomous republic, or be

placed under the direct control of Moscow or even of the Russian republic, by far the largest of the 15 Soviet republics.

Each would be seen as a huge blow to Azeri national pride. The present troubles flared up in part because of rumours that the enclave would be detached soon.

Mr Arkady Volsky, Moscow's special envoy to the area, told the USSR Supreme Soviet this week that the report of a commission on the area led by Mr August Voss, chairman of the Soviet of Nationalities, was imminent.

Mr Volsky's savage criticism of the two republics' party and government leaderships – especially that of Azerbaijan – was followed on Thursday night with a confrontation between those leaders and Mr Mikhail Gorbachev, the Soviet leader. Mr Volsky's criticism would seem to foreshadow a purge of leaders, at least in Azerbaijan, since Mr Volsky made a number of charges of corruption.

Official radio in Baku, the Azerbaijan capital, said yesterday that Soviet troops dispersed about 1500 Azeris trying to attack Armenians near the railway station. However, it said the latest demonstrations were smaller than those earlier in the week.

Meanwhile the Karabakh committee, in permanent session in the offices of the writers' union at Yerevan, the Armenian capital, has asked the authorities for television time to broadcast an appeal for calm. The request has not yet been granted.

Both republics, under curfew and virtual martial law, remain tense with enterprises and schools on strike. An Armenian source said the people in Nagorno-Karabakh were "in the position of hostages."

Refugees continue to pour across the borders in both directions. Mr Babyan Arartunyan, a member of the Karabakh committee, said he estimated that some 65,000 Armenians were refugees. One third are thought to have fled to Armenia and the rest to Russia, Ukraine and Georgia.

In a statement last night, the USSR Council of Ministers said that a commission had been set up to give aid to both Armenians and Azeris who had fled their homes.

Chinese minister meets Gorbachev, Moscow to meet Afghan guerrillas, Page 3

Promise of $3.5bn by Drexel for RJR deal

By James Buchan in New York

DREXEL Burnham Lambert, the Wall Street investment bank which is fighting to stave off charges of criminal racketeering, yesterday promised up to $3.5bn (£1.9bn) toward funding the takeover of RJR Nabisco in the most audacious commitment of capital undertaken by a securities firm.

The $3.5bn bridge loan is the keystone of a $25bn financing unveiled yesterday for Wall Street and US regulatory authorities by Kohlberg Kravis Roberts, the specialised partnership which won a fiercely contested auction for RJR late on Wednesday.

The financing, outlined in a filing with the US Securities and Exchange Commission, is by far the biggest and most complicated ever undertaken in the world's corporate finance markets and involves the biggest names in New York banking.

Bankers say the deal is a major challenge for the commercial banks and the $150bn market for the risky corporate debt securities known as "junk bonds." This market was created and is controlled by Drexel Burnham.

Four leading banks – Chase Manhattan, Manufacturers Hanover Trust, Bankers Trust and Citibank – have committed $2.7bn of their own and will try to raise a further $11.3bn from a bank syndicate.

In addition, Kohlberg Kravis announced terms on the $6bn in junk securities it is issuing as part payment for the company. A further $2bn is being invested by Kohlberg Kravis out of the money it manages for institutional investors.

But the key to the transaction is Drexel Burnham's $3.5bn loan, which is part of $5bn in bridging finance which Kohlberg Kravis needs as a condition of receiving the bank finance.

Merrill Lynch, one of the two largest Wall Street houses, is putting up the remaining $1.5bn.

The Drexel Burnham loan is more than three times the minimum capital the firm must maintain for statutory purposes and comes in the midst of last-minute negotiations with the US Justice Department to halt a prosecution for alleged racketeering in its junk bond takeover business.

Drexel Burnham and Mr Michael Milken, its chief junk bond financier, have already been charged with securities fraud under civil procedures by the SEC.

Some bankers see the Drexel commitment to the deal as a big expression of confidence that it can reach a plea bargain with Mr Rudolph Guiliani, the US Attorney in Manhattan.

"You can be sure they looked at this deal under a variety of scenarios, including prosecution," said one banker.

The financial package, unveiled yesterday but in place since Wednesday, was one of the main factors which swayed RJR's non-executive directors to award the company to Kohlberg Kravis rather than accept a rival bid from Shearson Lehman and Mr Ross Johnson, RJR's chief executive.

At a gruelling 14-hour board meeting on Wednesday, RJR's directors preferred Kohlberg Kravis because it was committing more equity to the deal while leaving existing shareholders with a larger stake in the company.

RJR stock, which has been under pressure since Wednesday, fell ⅝ to $91⅞ by lunchtime yesterday.

Ruder gives little hope to bondholders in LBO deals, Page 10

Young may face second Lonrho challenge

By Raymond Hughes, Law Courts Correspondent

LONRHO yesterday obtained leave from the High Court to seek a judicial review of the decision last week by Lord Young, the Trade and Industry Secretary, not to refer acquisition of House of Fraser by the Al Fayed brothers to the Monopolies and Mergers Commission.

The case will be heard early next month at the same time as Lonrho's judicial review of Lord Young's refusal to decide on publication of his inspectors' report into the acquisition while it is being considered by the Serious Fraud Office.

In yesterday's uncontested application, Mr John Beveridge, QC, for Lonrho, said Lord Young had said that he had decided against a reference in the light of the inspectors' report. This had indicated "the existence of previously undisclosed material facts about the transactions" yet had also said that a reference "would not be appropriate."

No reasons why it would not be appropriate had been given and it had been made clear to Lonrho that Lord Young intended refusing to give reasons.

"If ever there was a case where reasons would be expected, and ought to be given, it was this one," Mr Beveridge said.

There was clearly an issue that merited further investigation. It was clear the inspectors had found deceptions had been perpetrated on a wide scale by the Al Fayeds.

Mr Beveridge recalled that in 1985 it had been decided not to refer the acquisition to the Monopolies Commission "at this stage" after assurances about the Al Fayeds' great hereditary wealth and the enormous sums of money available not only for acquisition of the House of Fraser but also for its development.

Many of those assurances had been false, Mr Beveridge alleged. The cash had not been forthcoming and there had been a history of borrowing. The Fraser group's external debt had increased to £826m by May last year from £109m at the time of the acquisition.

"The company is now supported – insofar as it can be said to be supported at all – by borrowings, secured not only on the company's assets but on the shares."

● Lonrho, which has failed to persuade Lord Young to give it a copy of his inspectors' report, is to try to obtain it through the "discovery" procedure under which parties to legal actions are obliged to disclose to each other all relevant documents.

The report and the advice given to Lord Young by Sir Gordon Borrie, director-general of Fair Trading, on the issue of a reference to the Monopolies Commission, should "at the very least" be available to the court and Lonrho's lawyers, Mr John Beveridge said yesterday. The Trade and Industry Department is, however, expected to resist the move.

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dm)				PARIS (FFrs)			
Rises				**Rises**			
Bayer Hypo	356	+	5	Essilor	3490	+	120
Man	227.8	+	1.8	SFIM	1415	+	57
Falls				Source Perrier	1360	+	52
Conti. Gummi	265	−	2.6	**Falls**			
Karstadt	409	−	5	Pechelbronn	1015	−	48
Kaufhof	379.5	−	3.5	Radiotechnique	632	−	19
Nixdorf	294.5	−	18.5	Vallourec	237	−	8.6
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Smithkline B.	46⅛	+	1⅝	Meiji Leather	1360	+	140
Tiger Int.	14	+	1⅝	Nippon Piston	975	+	100
Unocal	37½	+	½	Tokyo Buhin	1200	+	150
Univ'l Foods	32½	+	4½	**Falls**			
Warner Lambert	76	+	¾	Japan Aircraft	1230	−	100
Falls				Ono Sokki	1390	−	100
Lng.Isle Light	15⅛	−	¾	Soto Kogyu	1280	−	70

LONDON (Pence)							
Rises				Illingworth M.	169	−	6
Christy Hunt	69	+	17	Lancaster	129	−	12
Holmes Protect	124	+	8	Local London	442	−	28
Millward Brown	147	+	15	Lowe H-S	328	−	20
Falls				Marley	139	−	7
Brit. Land	351	−	7	Reed Int.	365	−	9
Bryant Grp.	96	−	6	Rosehaugh	590	−	14
Cannon St.Invs	266	−	14	Rothmans	417½	−	10½
Caradon	318	−	9	Scholes (G.H.)	265	−	15
Dawson Int.	188	−	6	Triplex Lloyd	173	−	15
Enterprise Oil	478	−	8	Ultramar	243	−	9
Glaxo	£10 9/16	−	1/16	Wace Grp.	288	−	11
Goldberg (A.)	187	−	8	Ward White	231	−	11

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	C	13	55	Dallas †	F	3	37	Madeira	C	20	68	Prague	Dr	-2	28
Algiers	F	17	63	Dublin	R	6	43	Madrid	F	12	54	Reykjavik	R	4	39
Amsterdam	Dr	0	32	Dubrovnik	T	12	54	Majorca	F	17	63	Rhodes	F	18	64
Athens	F	17	73	Edinburgh	C	3	37	Malaga	S	17	63	Rio de Janeiro		–	–
Bahrain	S	23	73	Faro	F	18	64	Malta	F	18	64	Rome	C	14	57
Barcelona	S	14	57	Florence	R	13	55	Manchester	R	4	39	Salzburg	C	0	32
Belfast	C	5	41	Frankfurt	C	3	37	Melbourne		–	–	S'Francisco †	F	8	46
Belgrade	R	6	43	Geneva	C	7	45	Mexico City		–	–	Santiago		–	–
Berlin	C	-3	27	Gibraltar	S	17	63	Miami		–	–	Seoul	S	8	46
Biarritz	C	11	52	Glasgow	C	4	39	Milan	R	6	43	Singapore	F	31	88
Birmingham	Dr	3	37	Guernsey	C	7	45	Montreal †	F	-7	19	Stockholm	S	-8	18
Blackpool	C	4	39	Helsinki	S	-5	23	Moscow	F	-12	10	Strasbourg	C	5	41
Bombay		–	–	Hong Kong	S	21	70	Munich	C	-1	30	Sydney		–	–
Bordeaux	C	10	50	Innsbruck	C	4	39	Nairobi	F	24	75	Tangier	F	17	63
Boulogne	C	5	41	Inverness	C	3	37	Naples	T	15	59	Tel Aviv	S	23	73
Bristol	C	5	41	Isle of Man	R	5	41	Nassau		–	–	Tenerife	F	22	72
Brussels	Fg	1	34	Istanbul	F	14	57	Newcastle	Sl	3	37	Tokyo	S	14	57
Buenos Aires		–	–	Jersey	C	8	46	New Delhi	S	21	70	Toronto †	C	-1	30
Budapest	C	3	37	Johannesburg	F	22	72	New York †	F	2	35	Tunis	F	18	64
Cairo	C	25	77	Las Palmas	F	22	72	Nice	C	12	54	Valencia	S	17	63
Cape Town	S	23	73	Leeds	R	3	37	Nicosia	S	20	68	Venice	R	10	50
Cardiff	F	5	41	Lisbon	F	16	61	Oporto	C	15	59	Vienna	R	0	32
Chicago †	F	-4	25	Locarno	R	6	43	Oslo	S	-12	10	Warsaw	F	-4	25
Cologne	F	5	41	London	R	4	39	Paris	Dr	5	41	Washington †	F	2	35
Copenhagen	S	1	34	Los Angeles †	F	14	57	Peking	S	10	50	Wellington	C	16	61
Corfu	C	18	64	Luxembourg	Dr	5	41	Perth	C	22	72	Zurich	Dr	5	41

C–Cloudy. Dr–Drizzle. F–Fair. Fg–Fog. H–Hail. R–Rain. S–Sunny. Sl–Sleet. Sn–Snow. T–Thunder.
† Noon GMT temperatures

BR staff

Continued from Page 1

last night that the move would be unable to prevent a "crisis point" from being reached next year.

Aslef believes the supplements are a form of regional pay which will discriminate against some of its members living outside the London area.

BR's move is a rare example of a large public sector employer extending such payments to manual workers as a reaction to market pressure.

It has seen its turnover of staff double in most grades over the past two years. The highest proportion of resignations have been among young trainees who have quit because of unsocial hours and higher wages offered by other employers such as British Telecom.

Similar payments have mainly been made in the private sector, particularly in banking and finance where many employees are receiving a £3,000 a year London weighting allowance. Both the Civil Service and the Post Office have introduced special recruitment supplements in the south-east.

BR's linking of some of the additional regional allowances to attendance and performance is, however, unusual. The new allowance, called a shift supplement, covers 20,000 staff in all, including drivers and guards. It will be paid weekly in most cases and range from £5 to £10 according to the type of shift work.

Unlike existing irregular and unsocial hours payments, the supplement will be automatically suspended if the employee concerned is absent because of sickness or absenteeism, or takes unpaid leave.

Ryan row

Continued from Page 1

trols.

UK officials claimed afterwards that there was a broad recognition of the need to keep some internal border checks, even after 1992 when the EC single market is due for completion.

Philip Stephens writes: In London, the Crown Prosecution Service said it was providing answers to 20 questions relating to the extradition raised on Thursday by the Irish Attorney-General.

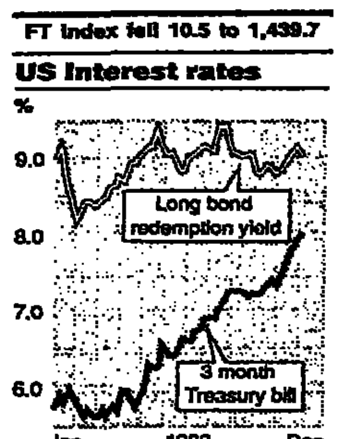
Mr Douglas Hurd, the Home Secretary, added that both governments would also have to look at the working of the extradition arrangements between the two countries.

The service said the latest questions related to English and Belgian law, and included a request for further details contained in the statement of fact that the service sent to Dublin last week.

A spokesman said that the material already sent had been a summary of the evidence found sufficient by the Belgian courts and which would have been sufficient to justify a prosecution in Britain.

THE LEX COLUMN

Equities back in the doldrums



The response to yesterday's nervously awaited US employment data turned out a curiously flat affair. The worry was, of course, that a robust set of figures might prompt a bout of tightening by the Fed, or even a rise in the discount rate. But although the rise in employment was certainly above expectations – with a jump in the service sector which pointed to domestic demand rather than exports – there was only a modest rise in the Fed funds rate, to just over 8.5 per cent, and an actual fall in the dollar. If the Fed is merely waiting for the markets to settle down before making its move, it clearly risks taking them by surprise.

Wall Street's calm response to the figures provided valuable reassurance to the UK equity market, which since last Friday's trade figures has been in its most dejected mood for months. Besides the mounting evidence of slowing domestic demand, there is genuine uncertainty over official policy on sterling. The DM3.20 level is evidently being tolerated, and the suspicion is that intervention is being used only to ensure that the rise above that is gradual. If the rate moves on towards DM3.30, or even DM3.40, memories of 1980/81 could become uncomfortable – especially in conjunction with a rising oil price.

With the FT-SE down to 1765, it can be argued that the market is still in the tedious process of veering aimlessly within the year's trading range. But the bottom of that range is 1730; and without wishing to be chartist about these things, if 1700 is tested, talk of a second leg to the bear market will get louder.

Corporate profits

There was something faintly ludicrous in the market's response yesterday to the hot news that James Capel was cutting its earnings forecasts. In spite of the half-baked stories that were circulating, the broker coyly withheld the changes until the document is published next week.

That was probably an excuse to mark prices down; Capel's move does not suggest a general re-think of corporate profitability, but rather a shaving of numbers that were too high anyway, with minor adjustments for the strength of the pound and the level of interest rates.

Still, it is not hard to see why the market is so sensitive about earnings, especially after the grave disappointment from Next on Thursday. While the problems of the retailers are peculiar to themselves and not likely to spill over to the rest of the market, the continuing downward revisions in that sector can only upset sentiment.

Clearly, every extra point on base rates makes some inroads into profits, but as nobody – not even the Chancellor himself – has a clear idea of when he will let up, or of how much more pressure needs to be applied before then, most firms are probably right to stick with their forecasts of a fairly soft landing. Even on that view, the outlook is not good, with earnings growth barely in double figures next year and no real earnings growth in prospect by 1990. That may be too far to forecast with any confidence, but still does not give the market the future promise it so badly needs.

Water authorities

It would be overstating the problem to suggest that Britain's 10 water authorities are threatening revolt, but various problems are beginning to bubble to the surface which could leave a nasty smell. There was a real danger that they would refuse to support last week's water privatisation legislation, and this was only averted when the Government's lawyers were finally persuaded to insert a clause promising that they would be able to make reasonable returns on capital. However, the Government has yet to make up its mind on an even more emotive issue – the creeping takeover of the UK water industry by the French – and the water authorities and their allies in Parliament are getting restive.

Three French companies have now made agreed bids for nine of the 28 listed UK statutory water authorities, and have significant holdings in at least six of the others, according to CL-Alexanders Laing & Cruickshank's calculations. If the pace continues, the majority of private UK water companies will be in foreign hands by the time the much larger UK water authorities are privatised next year. While no one knows what water companies are really worth, the French have been prepared to pay what seem to be very fancy prices. CL-ALC reckon that they have been paying an average of £65 per head of population served, which is more than double the price put on Racal Telecommunications' fast growing cellular telephone business.

All of this puts the Government in a difficult position. It is committed to an open-door policy for foreign investors, and yet it has to decide whether to impose some limits on foreign ownership of the water authorities. Meanwhile, the water authorities are fretting that they are not allowed to join in the bidding for the water companies. It has all the makings of a rather ugly official mess.

City losses

It doubtless makes hapless Scrimgeour Vickers feel better to reflect that the City as a whole is losing £500m a year from its bread and butter institutional business. While its back of an envelope sums probably overstate the losses considerably, they are not the less telling for that. Even the best houses like Warburgs are losing money in their securities operations and it is easy to believe that the smaller ones are haemorrhaging horribly.

The scale of the mismatch between revenues and costs is perhaps less important than the scant signs that anything is being done about it. After the cuts immediately following the crash, little further progress seems to be being made to reduce costs further – suggesting that most firms still expect that revenues will shortly rise to fill the hole. While everyone agrees there is some overcapacity, no one seems to think it is their problem: the biggest players are waiting for the smaller ones to go out of business, while they in turn are ominously talking of their commitment to the business long term.

Weekend FT

SECTION II — Weekend December 3/December 4, 1988

The nightmare is born

Fifty years ago, when Hitler aspired to world power, the German radiochemist Otto Hahn discovered nuclear fission. ***David Marsh*** *tells the story*

TO THE glory of God and Germany Emperor Wilhelm II, shortly before the First World War, donated royal farmland south-west of Berlin to site an academy of scientific excellence bearing his name. Fifty years ago, as the world awaited another and still more terrible war, it was here, in a laboratory at the Kaiser Wilhelm Institute of Chemistry in the Berlin suburb of Dahlem, that the vision and the nightmare of nuclear fission were born.

The breakthrough came just before Christmas in December 1938. Otto Hahn, the veteran radiochemist who was to become the grand old man of German nuclear physics, discovered that, under neutron bombardment, the uranium atom could be split into elements of much lower atomic weight. Hahn, working with a younger colleague, Fritz Strassmann, described their findings as against all previous laws of nuclear physics. Their results provided the key to unlocking the energy stored in the atomic nucleus foretold in Albert Einstein's famous equation in 1905 showing that mass and energy were interchangeable.

The spark flashed around the globe. It paved the way for Germany's own wartime atomic project, linking scientists as diverse as Hahn, Nobel prize-winner Werner Heisenberg, and Carl-Friedrich von Weizsäecker, the brother of the present West German president. The objectives and motives behind this programme under the Nazis remain controversial today.

The discovery paved the way for the US atomic bombs which destroyed Hiroshima and Nagasaki. It also illuminated the way to a new and hopeful era of cheap nuclear electricity. Half a century later, the bomb lives on, but the dream of nuclear power has died. Above all in Germany, which has become the home of the world's most forceful anti-nuclear movement, Hahn's *flame now strikes a chill.*

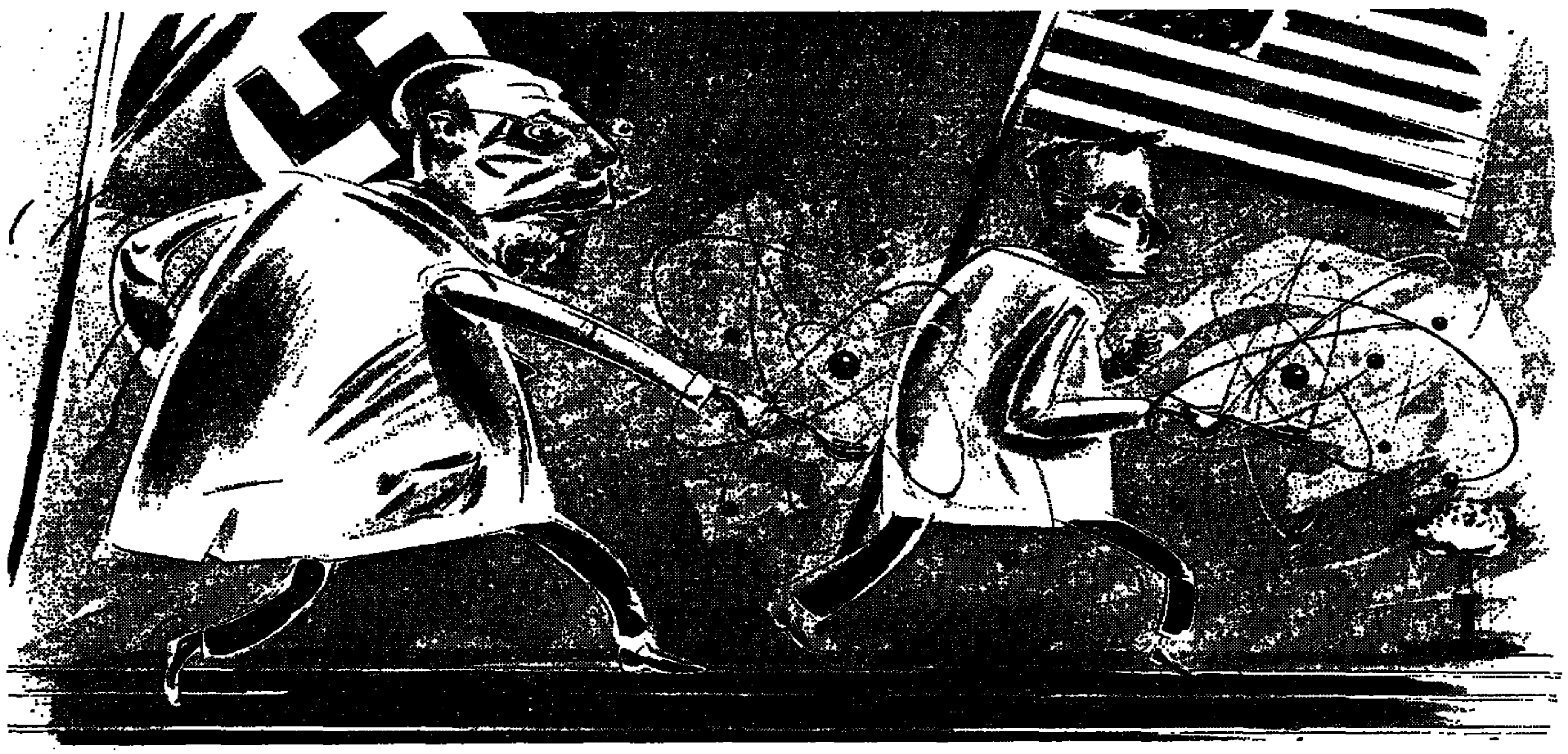
The Hahn-Strassmann discovery was published immediately in the January 6 1939 issue of the German scientific journal *Naturwissenschaften*. Before the outbreak of hostilities curtailed international academic exchanges, the close-knit science community in Europe and the US by summer 1939 laid bare the basic theory which would guide the nuclear age. This international atomic clan included many talented Jewish physicists forced out of Nazi Germany, who became a powerful element in the US bomb-making Manhattan Project.

Experimental data laying the groundwork for setting up nuclear chain reactions for both bombs and reactors, and the vital recognition of the fissile nature of the relatively rare uranium-235 isotope, were published internationally in the months before Poland's invasion in September 1939. The timing of this unparalleled scientific activity *throws up some intriguing hypotheses.*

If war had broken out in summer 1938, as had seemed possible before the Munich agreement allowing Hitler to annexe German-speaking Czechoslovakia, Hahn's results would not have been published straight away. Germany would have had a perhaps unassailable head start on developing the atomic bomb. The famous three-page memorandum on the path to the bomb written in spring 1940 for the British government by two emigré scientists – Rudolf Peierls, from Berlin, and the Austrian Otto Frisch – might not have been produced. And the $2bn Manhattan Project launched in the autumn of 1942 – the world's first mega-example of the application of science to warfare – might never have got under way. In Germany, there was, luckily for humanity, no equivalent.

Britain and the US were afraid early in *the war that Germany was on the way* itself to making nuclear explosives. These worries provided the catalyst for the race to build the bombs eventually dropped on Japanese cities when the fighting in Europe was over. The fears were groundless. German scientists continued doggedly on atomic research until just a few weeks before the country capitulated in May 1945. But, partly because of some theoretical errors, above all because of lack of firm commitment from the army and the Nazi leadership, the Germans during the war never succeeded in producing a self-sustaining chain reaction.

In the post-war years, as the Federal Republic renounced any military use of nuclear energy, the war-time atom project was an embarrassment. German failure to exploit Hahn's discovery during the war was portrayed as a result of the moral scruples of the scientists involved. In fact, a far more important reason was Germany's belief that fission could not be harnessed quickly enough to influence the outcome of the fighting. With Hitler's forces sweeping across Europe, the army believed that the war would be won without any need to produce an atomic bomb.



The German atomic effort was weakened by fragmented organisation, insufficient experimental flair and shortages of raw materials and equipment. But these drawbacks would not have loomed so large had the firm will to develop the bomb existed at the top of the Nazi state. Up to 1941-42, the German achievement in understanding the physics of a nuclear bomb and working towards building one was in many respects similar to that of the US and Britain. Then came the parting of ways.

At the beginning of 1942 the German army ordnance department appeared to take a basic decision that nuclear fission was irrelevant to the war drive. Thereafter, funding for atom research continued – but the programme, ever more harried by allied air raids and disruption of personnel and supplies, marked time. In the US, meanwhile, the industrialisation of the bomb project picked up steam from 1942 onwards towards the fateful climax 3½ years later.

Carl-Friedrich von Weizsäecker, who today, aged 76, is one of West Germany's best-known philosophers, and a leading protagonist for world peace, played an important role in the war project. In July 1940 he worked out – partly using published US research – an alternative route to a bomb-making material, supplementing the method of boosting the concentration of uranium-235 in natural uranium. The new path was based on turning the heavier and more common uranium isotope, uranium-238, into a new fissile element (which the Americans called plutonium) by irradiation in a reactor. Von Weizsäecker immediately reported his findings, and their potential for explosives, to German army ordnance.

Germany during the war never came close to mastering either uranium-235 enrichment or the irradiation technique for manufacturing nuclear weapon material. But the two methods – producing uranium-235 at Oak Ridge and plutonium at Hanford – were the ones used in the Manhattan Project to manufacture the bombs which destroyed Hiroshima and Nagasaki in August 1945.

On August 6, 1945, the BBC announced Hiroshima's destruction and the massive US effort which had led to it. The uranium-235 bomb killed at least 100,000 people outright, with another 100,000 dying in the next five years. Hahn, von Weizsäecker and Heisenberg heard the broadcast interned with seven other leading German nuclear scientists at Farm Hall, an English country house near Huntingdon. They had been rounded up by advancing Allied forces in the closing months of the war and brought to England by British intelligence – partly because the UK feared the Americans wanted to shoot them.

According to their own accounts afterwards, as well as tape recordings made by British intelligence using hidden microphones, the German scientists were surprised and dismayed by the news. The British Government still treats the Farm Hall tapes as an official secret. After listening to the BBC broadcast, Hahn wrote later that he was shocked and depressed beyond measure. Some of his colleagues feared he might commit suicide then.

The shock in Farm Hall was caused, however, not only by the fearsome loss of life in Japan. It also reflected the scientists' pique that the Americans had succeeded in producing the atomic bomb which Germany believed was impossible. As Mark Walker, an American historian, writes in a forthcoming book* on the German atomic project, German attempts to cover up *the original* motives behind their wartime research by rewriting history started immediately after Hiroshima.

The interned Farm Hall physicists, led by their unofficial spokesman Heisenberg, drafted a press release which was deliberately economical with the truth. It played down the Germans' recognition early in the war that uranium-235 could be used as an explosive, omitted the work which had been carried out on trying to separate the isotope, and failed to mention German recognition *of the plutonium route to a bomb* pinpointed by von Weizsäecker in 1940.

Walker writes that the Farm Hall press release paved the way for a post-war apologia by German atomic scientists. They claimed that they had not wanted to, and therefore did not, build weapons of destruction. In fact, Walker concludes that many of the scientists had been seduced by the Nazi regime. After the war, the scientists were relieved by their failure to get anywhere near *building* atomic weapons. None the less, while pretending to be apolitical, the scientists – just like their much more successful counterparts on the Manhattan Project – acquiesced in the overall politics of the atomic drive.

Asked in a recent interview about his role in war-time research, Carl-Friedrich von Weizsäecker says: "If we had urgently had the wish to make atomic weapons, *and if the German government had given* every possible help, then we would still not have done it as quickly as the Americans. We were sure we could not do it – we realised this around the end of 1940."

Von Weizsäecker says: "If I had thought we could have made a bomb, and if I had wanted to, I could have secured an audience with Hitler," (to persuade him to go ahead with it). "I hoped that Hitler would have no chance to use a bomb in the war. But if the bomb was going to come, it would come. Hitler would not last for ever, but the bomb would stay."

The German atom project still has an incongruous hold in the picturesque village *of Haigerloch in the Swabian foothills* south of Stuttgart. As air raids in Berlin intensified in 1943-44, important elements of the atomic programme were evacuated from the capital to this rural area of south west Germany.

The last, fruitless German effort to construct a working uranium pile was transferred from Berlin to Haigerloch in early 1945. The site chosen was a cellar hewn into a cliff face topped by Haigerloch parish church. US troops took the area in April 1945. They rounded up the cream of the German nuclear physicists and dismantled the apparatus in the Haigerloch cellar before demolishing it with explosives.

The Atom Cellar below the church was renovated and turned into a museum in 1980. It is now Haigerloch's main tourist attraction. The visitors guidebook asserts reassuringly but misleadingly that the atomic bomb was not part of the programme. Father Marquard Gulde, Haigerloch parish priest, now in his 80s and retired, was responsible for saving the baroque church in April 1945 by persuading the Americans not to blow up the whole cliff. He remembers rebuking the professors four decades ago for bringing danger into the town. Nuclear energy was a wonderful discovery, says Father Gulde.

But what if Hitler had got to the bomb first?

Von Weizsäecker defends the Haigerloch experiment as providing a path towards a cheap energy source for Germany after the war. Post-war West Germany enthusiastically embraced the peaceful use of nuclear energy. But disillusionment has now set in. One place to register it is the Hahn-Meitner research institute on the southern fringes of West Berlin. The funded institute was set up in 1958 as one of West Germany's first nuclear research centres.

The institute *is* now concentrating on non-nuclear activities. Prof Arnim Henglein, a nuclear physicist, remembers working with Hahn before he died in 1968. Henglein says politicians have channelled German research funding into the solar area simply to appease public worries about nuclear energy. He says bluntly that solar energy will never be economically feasible in Germany.

The future for Hahn's legacy indeed in West Germany *looks bleak. More than 80* per cent of the population, according to a recent opinion poll, is afraid of a nuclear accident. Because of political opposition and power plant over-capacity, no new domestic nuclear generating orders will be placed before the end of the century, at the earliest.

With a touch of nostalgia, Henglein says that Otto Hahn would not be able to come to grips with the complexities of running nuclear research in Germany *today. Fifty* years after splitting the atom, the Germans are trying desperately to escape the pieces left behind.

**German National Socialism and the Quest for Nuclear Power, 1939-49, by Mark Walker, to be published next year by Cambridge University Press.*

The Long View

Fasten those seat belts for 1989

Recent economic and financial trends have evoked strongly the conditions of 1973. But there are some important differences, too

ON NOVEMBER 14, clearing bank base rates rose to 13 per cent in response to a rise in inflation to 10 per cent, serving to choke off the surge in house prices which were showing year-on-year gains of more than 30 per cent.

Do you think there is something not quite right about this statement? *Then I will give* you a couple more clues.

Sterling was weakening rapidly at a mere DM6.50. And the jump in interest rates triggered the collapse of London and County Securities.

You will realise that I am talking not about 1988 but about 1973. For a long time, 1973 has been overshadowed by *its disastrous successor*, 1974; and in a properly-run world, 1973 could have been left to slumber in obscurity as a unique set of circumstances. But, 15 years on, it is time to bring the *final year of the* so-called Barber boom out into the light and find out what it can tell us.

It is not my object to try to *prove that* 1989 is going to be another 1974. History does not repeat itself as precisely as that. But it has to be said that the pattern of economic and financial events in 1988 has shown many resemblances to what went on in 1973 – as well as a few important differences.

You will remember that 1973 was the last year when Britain basked in an economic miracle, shaking off its 1960s' image as the laggard of Europe. The gross domestic product rose a phenomenal 7.2 per cent.

Nothing like it has been seen since – until this year, when growth was near 6 per cent in the first nine months. Upward revisions could yet take 1988 GDP growth close to the 1973 figure.

While the economy boomed in 1973 the stock market fluctuated nervously, well below the peaks *reached* in the previous year. Investors failed to respond positively to a rise in profits of about 25 per cent.

Equities were undermined by rising inflation (which had started the year at 8 per cent) and climbing interest rates, both at the short and long ends. The long gilt yield reached 12 per cent by December 1973.

Today, long gilt yields are only at about 9.5 per cent and they have been steady this year. This reflects one of the major differences between 1973 and 1988, *in that the* Government's fiscal stance has changed fundamentally.

In 1973, the budget deficit jumped to £4bn – representing *£18bn in today's money, and* about 5 per cent of GDP at the time. Today the public sector is running a surplus of over 2 per cent of GDP. But in other respects the picture is much as before: in 1973 the balance of payments, for instance, deteriorated rapidly.

As for monetary conditions, M3 was growing at 27 per cent at the end of 1973. The Government insisted that the credit expansion reflected structural changes in the banking system, and did not pose undue inflationary risks.

This year, the comparable figure for broad money growth is a little lower at around 20 per cent, but there has been a similar phenomenon of a 30 per cent-plus leap in house prices (and a speculative upsurge in commercial property). From the 1973 peak, house prices fell in real (although not nominal) terms by some 30 per cent inside two years.

Politically, there were substantial differences between then and now. The interventionist Heath Government was operating an elaborate structure of price, wage and dividend controls. Foreign exchange restrictions were also still in place. All these controls served to bottle up the underlying inflation, but they could not in the end contain it.

The controls turned out to be very dangerous. The impact of rising inflation on a system of price controls and taxation which pretended inflation did not exist was not understood properly. This added up to the "Doomsday Machine" which almost bankrupted British industry during 1974 and lay behind the extreme stock market collapse (a fall of more than 80 per cent in real terms from the 1972 high)

Fortunately, this Doomsday potential no longer exists (although corporation tax is still applied to historical cost rather than real profits). Industry now understands the risks and can protect itself by raising prices, however inconvenient that might be in other respects.

Moreover, the Heath Government was confronted by the miners' strike in the winter of 1973-74, and eventually fell in the "who rules Britain" election called at the end of February. Margaret Thatcher, on the other hand, has an impregnable parliamentary majority and faces only some angry nurses with no obvious capability of putting the economy on to a three-day week.

A final, and crucial, difference is that whereas late-1973 brought the first oil price explosion, which imposed intolerable strains upon Britain's fragile and inflationary economy, today commodity prices present no problems.

The conditions for 1974-style stock market agony do not, therefore, exist. Apart from anything else, listed British companies have a far higher overseas content than in 1974.

A degree of pain is nevertheless possible. For instance, in place of price controls the Government is now threatening a regime of sky-high interest *rates and over-valued sterling*. In 1974, base rates actually eased back from 13 per cent. We cannot at this stage be so confident about 1989 if we believe what the Chancellor of the Exchequer, Nigel Lawson, is saying.

It took four years for the British economy to exceed the 1973 GDP peak. It might not be so bad this time around, but my readings of the 1973 tea-leaves lead me to conclude that there is now no chance of a soft landing for the UK economy next year, while the outlook for inflation is considerably worse than anybody is at present admitting. ±

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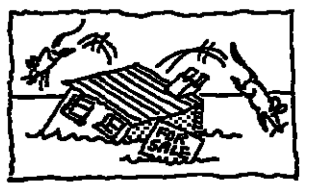
House prices: through the roof or down the drain?

What is happening to house prices in London? Estate agents say the market is in "a period of readjustment," but those who are trying to buy or sell say prices are actually falling. Andrew Taylor looks at a market that is often a barometer for the rest of the country. Page III

Hard times for home-owners



The recent rises in UK interest rates have hit home owners hard as their mortgage repayment bills have soared. And with a further rise on the way, David Barchard sees little relief in the immediate future. Page III

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The firm of Smith Keen Cutler is moving upmarket in search of high net worth private clients in Britain's second city, as Richard Tomkins discovers in another in our series on regional brokers. Page VII

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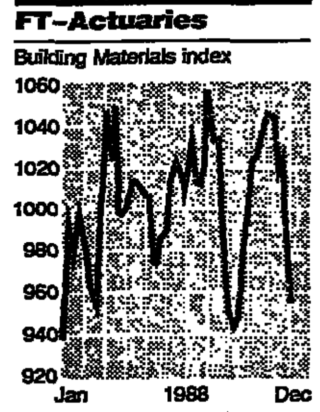
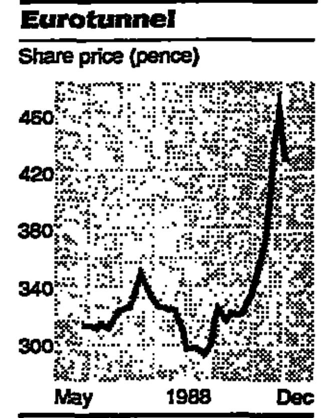
FT-Actuaries

Building Materials index



Eurotunnel

Share price (pence)



Blow to building materials sector

The building materials sector, badly affected the week before last by the rise in interest rates, suffered a "second wave" of selling pressure on fears of yet more rises in rates and ended the week with hefty falls across the board. Higher borrowing charges, which choke off demand for new houses, directly affect housebuilders and construction firms, which reduce output. Cutbacks quickly feed through to their suppliers. BPB, the plasterboard manufacturer, was additionally weakened by disappointing results and competition worries. There was a measure of support for cement manufacturers Blue Circle Industries, sustained by hopes that a bid for the company could eventually materialise; and for Rugby, which revealed the £34m purchase of Australian timber doors and windows manufacturer Stegbar without disturbing earnings per share growth or borrowings. *Stephen Thompson*

Up-and-down week for Eurotunnel

The share price of Eurotunnel, the Anglo-French Channel tunnel group, was on something of a roller coaster this week. On Tuesday the shares reached their highest level of 465p before tumbling 34p in two days. The buying spree which pushed up the price originated in Paris and reflected better progress made by contractors digging the service tunnel. Alastair Morton, Eurotunnel's British joint chairman, who has been keen to keep contractors on their toes, seems to have been more grudging in his praise when the Eurotunnel board met this week. A statement said that progress made by the tunnel borers had improved but they needed to go even faster if delays were to be caught up. A similar message was given at a meeting with stock broker analysts. It was hardly surprising therefore that the share price should fall. Eurotunnel warrants, which hit 33p on Tuesday, also slipped 3.25p during the next two days. The shares and warrants — issued a year ago at a combined price of 350p — can be traded separately and have separate quotes. *Andrew Taylor*

BS issue is oversubscribed

British Steel's offer snatched success from the jaws of failure at the end of the week as investors followed Press advice to wait until the last minute before applying. It had earlier seemed as if the bad trade figures and rise in interest rates would dissuade investors from applying for the issue. In the end, over 550,000 people applied for more than 1bn shares. This not only ensured that the issue was oversubscribed but will trigger both clawback provisions. Shares will be deducted from the institutional and overseas offers and used to satisfy UK public demand. The premium is still not be expected to be large — about 7p on the 60p first instalment price. *Philip Coggan*

Rise in complaints to ombudsman

Ian Edwards-Jones, the banking ombudsman, published his annual report this week. Complaints rose by 20 per cent last year to 2,089. The most common source of complaints were ATMs — the banks' cash machines. This week, the ombudsman ruled for the first time in favour of a customer who claimed that an ATM had made a "phantom withdrawal" from his account. However Edwards-Jones, who retired this week, had less good news for those who try to settle loan agreements early or undertake to guarantee someone else's account. In both cases, he warned, the small print is likely to bind the customer to pay more than he realises. *David Barchard*

LONDON

Only Steel puts a shine on a long grey day

LIKE many of its denizens at this time of year, the London market is stumbling from grey day to greyer day, unable to shake off a hangover and not having much festive fun in the process.

After last Friday's double shock of a record current account deficit followed smartly by a one point rise in base rates to 13 per cent, the British Steel share issue dominated the week.

Uncertainty engendered by small investors prudently following advice to wait until the last minute to send in applications kept the market on edge. The extent of the nerves was underlined on Friday morning, when the FTSE-100 suddenly dropped 10 points when 10am passed without the conventional announcement about the level of subscription.

In the event, pessimism was unjustified, or at least premature. Private investors applied for shares sufficiently in excess of their earmarked 452m to trigger a clawback from the overseas offer. The real test will come when dealings begin on Monday afternoon. The opening premium on the 60p partly paid shares is likely to range between 5p and 10p — about right to avoid embarrassment either for mistiming or underpricing the issue.

Less fortunate among market debutants was Betacom, telecommunications equipment designer and supplier. More than 87 per cent of its £16.5m issue was left with sub-underwriters, and a planned £6m placing by Europa Minerals was abruptly pulled on Friday.

No sooner had worries about Steel been deferred until another day than the market took another blow from higher than expected non-farm employment figures from the US. Footsie was down more than 16 points by late afternoon to 1,762 for the first time since September. Perhaps more worrying was the response of the money markets, where the key three-month interbank term deposit rate rose to reach 13⅝-13¾ per cent.

Even before that blip, most analysts had not expected to see base rates fall below 13 per cent before the Budget next March. If that turns out to be correct, another rise in mortgage rates looks inevitable shortly in the New Year, bringing home to the personal sector the meaning of tight money — perhaps an overdue lesson.

For industry, however, last week's interest rate rise looks like a double blow. County NatWest WoodMac notes that the differential between UK interest rates and world rates, as measured by the rate on SDR euro-deposits, is now nudging 6 percentage points, a record gap exceeding previous peaks in early 1985 and late 1986.

By Friday afternoon, sterling's trade-weighted index was at 78.2, a full point above its level on the day before the October trade figures. At DM3.208, the pound had gained six pfennigs over the same period. Many analysts now point to DM3.25 as a rate to which we should become accustomed. Nigel Lawson, the Chancellor, conceded as much in his appearance before the Commons Treasury and Civil Service Committee on Wednesday. A higher rate against the D-Mark was now appropriate, he said, and industry should not suffer.

Nevertheless, the ugly word "competitiveness" — even uglier when preceded by "loss of" — is back on many lips.

Taking all these factors into account, the market's feeble behaviour all week — punctuated only by two attempts at recovery on Tuesday and Wednesday — should not be surprising.

In circumstances like these, strength becomes suspicious. The FT-SE 100 did break above 1,800 briefly on Wednesday morning, conveniently just at the time traded options contracts were expiring. More than coincidence? The Stock Exchange is looking into the price movements.

The market got no clear sense of direction from corporate results this week, especially from the five FT-SE 100 constituents reporting.

BPB Industries, which had the dubious distinction of being the least-recognised large UK company in a survey not so long ago, disappointed with a 14.5 per cent rise in interim profits to £104.1m amid warnings about increased competition in the plasterboard market it has traditionally dominated.

Allied-Lyons' half-way profits of £229m were more in line with expectations, as was the 36 per cent increase in asset valued reported by property giant MEPC for the year to September 30.

There was better news altogether from Royal Bank of Scotland, which increased full-year profits by 57 per cent to £309.2m and showed a 28 per cent underlying advance, once exceptional factors from 1987, such as Third World provisions and property sales, were excluded. BET, the international support services group, also exceeded forecasts with a 31 per cent rise to £120m in the six months to October 1.

On the next rung below the top flight of UK companies, Tate & Lyle capped a year of transatlantic acquisitions with a 31 per cent profits advance to £102.1m, and Siebe, the controls, engineering and safety equipment group, reported a 35 per cent interim rise at the pre-tax level, although earnings were ahead only by 9 per cent, reflecting the large number of shares issued to fund its own US expansion.

Once again, the sector that stood out was retailing. Although some shopkeepers must be yearning for some BPB-like obscurity by now.

The last vestiges of City enchantment with George Davies, whose Next chain changed the face of the High Street in the mid-1980s, disappeared on Thursday when he warned that profits would be "significantly lower" this year than the £92.4m achieved in 1987-88. Most forecasts have been cut to about £70m.

Another chequered stock market history came to an end on Monday when Underwoods, a retail chemist strong in the London area, accepted a £40.8m offer from Boots. The deal thwarted a management buy-out which was in gestation.

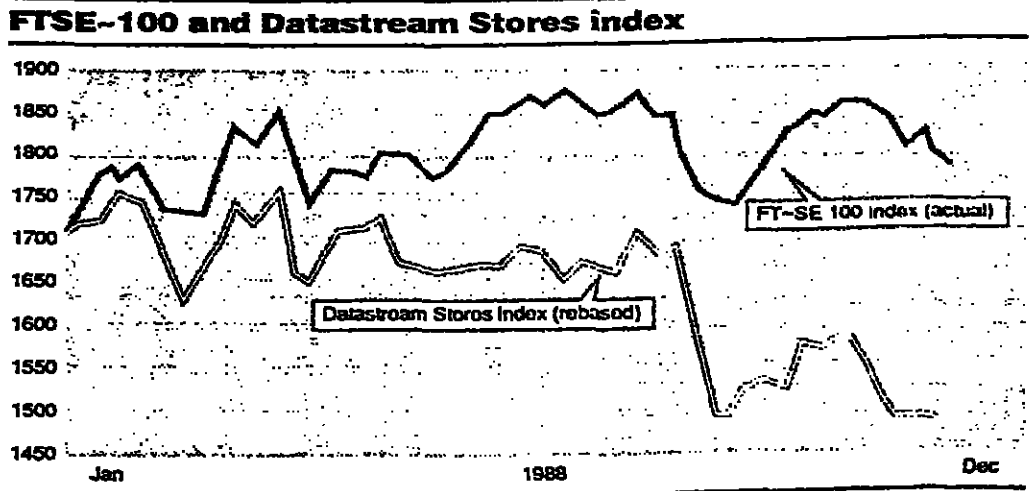
Consolidation was also in evidence among the builders merchants. Meyer International added to its national lead in number of outlets by buying the UBM chain from Norcros, giving in return its manufacturing interests and £55m in cash.

Christmas at least looks a bit brighter for James Gulliver's Lowndes Queensway. Although Lowndes has not yet found a buyer to meet its price for Hamley's, the toys group, the Poundstretcher discount chain is on its way for £70m to Brown and Jackson, a much smaller retail and property group.

Clay Harris

The ugly word 'competitiveness' – even uglier when preceded by 'loss of' – is back on many lips

FTSE-100 and Datastream Stores index



HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1988 High	1988 Low	
FT Ord. Index	1439.7	-22.9	1514.7	1349.0	Currency and base rate worries
BPB Inds.	224½	-18½	310	218	Disappointing interim figures
Bejam	161	-29	204½	149	New Iceland Frozen Foods bid terms
Berkeley Grp.	218	-31	384	218	Interest rate trends
Chamberlin & Hill	235	+42	235	128	Impressive interim results
Corah	72	+9	88	55	Agreed offer from Charterhall
Courtaulds	245	-20½	395	241½	Analysts' concern over outlook
Cray Elect.	171	-30	243	164	Brokers downgrade forecasts
Cundell Grp.	186	+19	186	125	Jefferson Smurfit offer
Johnson Fry	161	+58	167	80	Agreed offer from LIT Hldgs.
Next	136	-25	298	131½	Profits warning, weak sector
Pentland Inds.	73	-16	141	72	Reebok again warns on profits
Questel	237	+32	243	136	Agreed bid from Irish Wire
Storehouse	202½	-18½	290	167	Fading bid speculation
Underwoods	143	+52	148	78	Agreed offer from Boots

WALL STREET

New faith in technology

STIRRED but not shaken by an cocktail of unpalatable economic news, Wall Street investors managed to limp through the week with the value of their equity portfolios largely intact.

One more negative factor after another was tossed at the stock market, beginning on Monday when the banks increased their prime rates by half a point to 10.5 per cent.

The assault continued with an Opec production agreement and an upward revision of third quarter US gross national product growth to 2.6 per cent at an annual rate.

The worst came last with the news on Friday that 463,000 Americans had found jobs last month, almost twice as many as economists had expected.

Such robust growth greatly increased the likelihood that the Federal Reserve will try to cool things down a bit, if not by an imminent discount rate increase then at least by an upward nudge in the Fed Funds rate.

Adjusting to this outlook yesterday, bond prices dropped more than a point and short-term interest rates jumped about 0.3 of a percentage point. Yet stocks drifted only a little lower on quiet volume with half a chance of ending the week a few ticks up from the start.

"We threw an awful lot of bad news at the market and it hasn't buckled," said Laszlo Birinyi, a technical market analyst with Salomon Brothers. Its resilience only reinforces his belief that it can enjoy a rally before the year is out.

All the bad news, including a small further rise in interest rates, is already factored into the the Dow Jones Industrial Average's current level of around 2,100 points.

"This is the worst of all worlds," said Birinyi. With sentiment at its most bearish in six-and-a-half years, "we are already in the bunkers. We won't get any sneak attacks."

On the positive side, a number of factors justify a rally. Investors are sitting on large piles of cash, stocks are selling at a moderate average of around 12 times reported earnings, corporate profits will grow further next year and some key technology stocks are beginning to offer leadership, he added.

The last point has also caught the eye of David Mills, the manager of the mutual fund division of Boston Co., a subsidiary of Shearson Lehman Hutton.

"We're not usually big players in technology stocks because typically they trade on high p/e's and we are value oriented. But they have been in a bear market since 1983 and have been particularly devastated this year," he said.

With the technology sector substantially underperforming the market, the price/earnings ratios of many otherwise creditable companies have fallen to mundane levels.

Investors hooked on value are getting a relatively rare chance to buy into a usually pricy sector. "A lot of them have been popping up on our screens," said Mills.

International Business Machines, Digital Equipment, Honeywell and Control Data are four recent purchases by Boston Co. The first two are selling at 1.9 and five times book value but still well below the average of well over two times for the Standard & Poor's 500 index. Honeywell is trading at book and Control Data at only 70 per cent.

The market as a whole has been cool to these companies because they have varying degrees of problems, ranging from the bearable at IBM (the possibility of a recession) to the troublesome at Control Data (profits have yet to flow from a major restructuring).

However, Mills argues that all four companies "are going to stay in business, earn money, and have cash flow."

The question of value obsessed arbitrageurs elsewhere in the market this week. Where should they channel money flooding their way from the spate of deals recently agreed? Holders of Kraft stock get paid $13bn by Philip Morris on Monday and billions more is flowing into accounts from smaller takeovers such as Irving by Bank of New York and stock buybacks such as Chicago Pacific and Pennwalt.

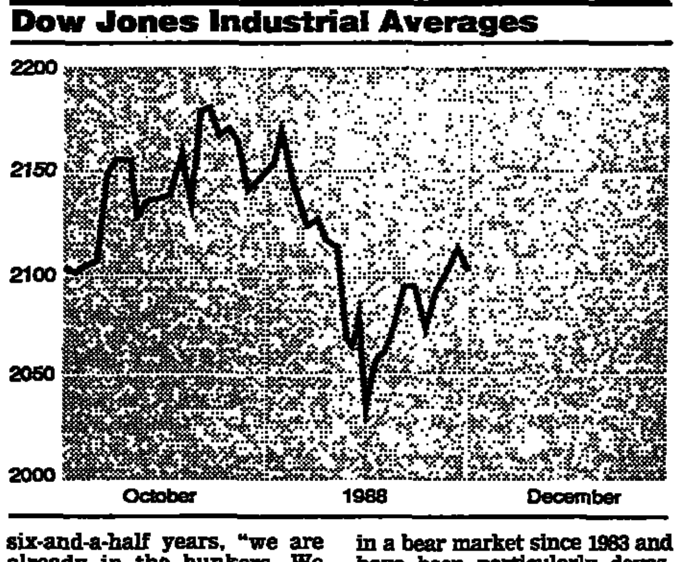
Arbitrageurs are trying hard not to be suckered into bad bets. They can trot out numbers on many pending deals that look amazingly profitable, yet they are keeping the stock prices well below the purported value of the offers. Most notably RJR Nabisco was trading yesterday at only $91, some $18 below the agreed Kohlberg Kravis Roberts offer.

Aside from discounting *prices for the risk that any* deal could be aborted, the arbitrageurs are counting only on the cash portion of the offers and are taking a more cynical view than usual of the accompanying securities. In RJR Nabisco's case they believe that the paper is worth only a third of the estimate made by KKR.

Monday	2,081.44	+ 6.76
Tuesday	2,101.53	+ 20.09
Wednesday	2,114.51	+ 12.98
Thursday	2,101.88	– 12.63

Roderick Oram

Dow Jones Industrial Averages



JUNIOR MARKETS

Broadcasting the good news

ON MONDAY morning, an extraordinary general meeting is due to approve a deal announced earlier this month between Broadcast Communications, the Third Market independent television programme-maker, and The Guardian and Manchester Evening News (GMEN).

The agreement, under which GMEN pays £1m for a 14.1 per cent stake in Broadcast, is good news for both. It expands GMEN's media activities and gives Broadcast both a higher profile and greater funding flexibility – the latter being extremely important as the deregulation of broadcasting takes off and new channels proliferate.

Broadcast is best known for producing Channel 4's Business Daily and The Business Programme on Sundays. Channel 4 is planning to launch early-morning television, probably from next April, and has said Broadcast will be providing the business coverage.

The company has bigger expansion plans, though. It is setting out to develop a number of series to sell to broadcasters – including a light entertainment programme, a chat show and a sports programme – and to become a publisher in its own right.

"We are talking with the BBC and satellite companies to buy air-time," said Michael Braham, chairman of Broadcast, "and we are a lot further down the road than others in the sector."

Broadcast has its roots in a business set up seven years ago by Braham and Christopher Hill. Both former journalists, they had known each other for a number of years.

Their initial venture was a corporate communications company providing videos and training company executives *how to deal with the* press, radio and television.

Five years ago they won the contract to produce The Business Programme, and followed this up two years ago by securing the contract to produce Business Daily, which appears each weekday lunchtime.

At the same time, the company reversed into Edenspring, an over-the-counter shell, before moving to the Third Market in March 1987.

In recent years the scope for independent producers has increased by leaps and bounds because of the requirement on television contractors to take a higher proportion of independently produced programmes, new channels, and the advent of satellite TV. When the broadcasting changes have taken off, the sector bursts wide open – and Broadcast aims to be there.

The company reported pre-tax profits of £338,000 on sales of £4.7m for the year to June 1988, up from £14,000 on £500,000 turnover the previous year. "We will get a cheque for £1m from GMEN on Monday, giving us a strong cash position of £2.5m," says Braham.

Broadcast is looking at possible acquisitions, particularly television programme distributors, and hopes to do a deal in the next few months. The company has also tendered to provide television coverage of the House of Commons. "We gather we are short-listed with three others," says Braham.

Monday is also an important day for Capital Leasing Group, as dealings in its shares begin on the Unlisted Securities Market. Capital provides and arranges finance leasing and lease purchase facilities in the Republic of Ireland and the UK.

This facility is much used by businesses needing to buy equipment but not wishing to tie up substantial sums of working capital in the purchase.

Capital buys the equipment and leases it to the customer for a fixed rental over a stated period. Assets financed include commercial vehicles, cars, mainframe computers, printing equipment, forklift trucks, industrial plant, production equipment, light aircraft and telephone systems.

DCC Corporate Finance placed 5.67m Capital shares at I£0.44p (37p), valuing the company at I£12.5m. All the shares are new and will raise I£2.2m for the company, to be used to reduce bank borrowings.

Pre-tax profits have grown in the past three years from £72,000 to £427,000 in the year to March 31 1988. The company has forecast pre-tax profits of £1m for the year to March 31 1989, putting the shares on a prospective p/e of *10.5*.

The group was founded in 1983 and operated initially as a lease broker, arranging large lease transactions for commercial and state-owned customers.

In 1985, the group began offering leasing facilities in the Republic directly to customers and through suppliers of business equipment. This year, it started offering similar facilities in the UK.

As a form of medium-term financing, leasing has shown significant growth in recent years. *Members of Leaseurope*, an association of 732 leasing companies in 17 European countries, wrote new business amounting to I£534bn in 1987, a rise of 40 per cent over the previous year.

In the UK, new leasing business in 1987 surpassed £6bn, representing the industry's best year ever.

Fiona Thompson

C & W awaits a call to battle

IF ALL goes according to plan, next Wednesday should be a red letter day for Cable and Wireless, the international telecommunications group. It is the final closing day in its long drawn-out battle for control of Telephone Rentals and is also the day on which investors must put up their money for another tranche of Hong Kong Telecommunications, which contributes the vast bulk of C & W's profits.

If C & W is to live up to analysts' heady predictions of profits of £1bn by 1992/93, it needs to be successful on both counts. Its efforts to reduce its stake in HK Telecom, which is an important source of cash for its expansion plans, have been delayed by the weakness of stock markets in the aftermath of last year's crash. Meanwhile, the speedy acquisition of Telephone Rentals is regarded as essential if C & W's Mercury is to put on the sort of customer base which will make it a serious challenger to British Telecommunications' *dominance of* the UK telephone market. Without TR it is hard to see how Mercury can make the profits of £300m a year which *are essential if C & W is to* meet the analysts' predictions.

Of the two moves, the successful sale of another 4 per cent stake in Hong Kong Telecommunications is reasonably assured. The offer has already been underwritten at HK$4.55 per share and while this is a far cry from the HK$6.60 at which HK Telecom shares traded earlier this year, the issue is still being sold at a premium of close to 50 per cent above the local market, and *evidence of mainland Chinese* interest should help persuade the more nervous foreign investors that C & W's Hong Kong interests are not going to disappear after 1997.

TR's record over the years has been dismal but its fortunes are finally on the mend

Cable & Wireless

Share price relative to the FT-A All-Share Index

Success in the battle for TR is less certain. C & W picked up a near 30 per cent stake in the company in a dawn raid on Wednesday but several of the big institutions which control key stakes have yet to be convinced that the 340p a share on offer is enough to win the day. TR's record over the years has been dismal but its fortunes are finally on the mend. A prospective exit multiple of 16 times 1989 earnings may not be *sufficient to win control*, especially since Telephone Rentals looks far more valuable to C & W than anybody else.

Indeed, there is a danger *that its dawn raid on TR may* backfire. If C & W had launched its dawn raid at an earlier stage in the bid it could have continued to buy more than 30 per cent of TR shares. However, under takeover rules it cannot do this now, since this would constitute a change in the offer and it has passed the date in the bid when this is permitted. As a result it has not been able to take advantage of the weakness in the market to push its stake above 30 per cent, and its substantial presence on the share register *has helped underpin the share* price, since it is far less likely that it will walk away from TR if its offer fails. This should prevent the share price dropping much below £3.

C & W and its advisers are confident that this week's dawn raid was the right move, since it means that they now need little more than another 20 per cent of the shares to win the day. The recent drop in the stock market has undoubtedly helped their case, but the battle remains finely balanced. Shareholders who stuck with Birmid Qualcast earlier this year after it beat off Blue Circle by a narrow margin were well rewarded. Birmid's shares did not fall back sharply after the battle and Blue Circle returned six months later with an agreed bid some 18 per cent higher.

Could the same thing happen again if TR was to retain its independence next week? Its track record is not as impressive as Birmid Qualcast's, and with short-term interest rates of 13 per cent plus there are strong reasons *why investors may not be* prepared to sit and wait for a better bid. However, it would be dangerous to underestimate Sir Charles Ball, Telephone Rentals's chairman. He saved Telephone rentals from GEC's grasp in the 1960s and it is not for nothing that he has been dubbed "The Great Defender."

William Hall

FINANCE & THE FAMILY

David Barchard discusses the prospects for interest rates in 1989

Home-owners face long wait for mortgages to come down

THE NEW YEAR looks certain to usher in a rise in mortgage rates, following last month's increase in the bank base rate to 13 per cent, although the major building societies have indicated they will try to hold their new rate to 13.5 per cent.

At present, the main society mortgage rate is 12.75 per cent, while most mortage companies and banks charge around 13 per cent.

As a result, many people will find themselves paying rates four percentage points above what they were in the summer. This will mean a sharp increase in their monthly outgoings when the next adjustment is made, either on January 1 or in April. But David Gilchrist, general manager for planning at the Halifax, stresses: "They do know what is coming and they have plenty of time to prepare for the additional burden."

An increase in base rates is good news for savers, who can expect their interest payments to rise. However the societies are not short of savings just now and their eyes are mainly on the mortgage markets, where they are battling with the banks and mortgage companies.

So, most of them may try to hold increases in savings rates to half a percentage point or so. If funds continue to flow into the societies during the first months of 1989 at over £1bn a month, as they did for most of this year, then this policy probably will work.

"With our funding stronger than ever, we are in no hurry to move. An increase in rates is the last thing we want," says Jim Birrell, chief executive of the Halifax.

There is no sign of unit trusts posing much of a threat to building societies in the near future; memories of the crash are still too strong among savers. But banks are improving the quality of their saving products and would like to woo savers away from the societies.

Banks have good reasons for trying to force societies to push up their savings rates. When base rates are high, retail savings tend to be a cheap way of getting funds.

Lenders such as banks and mortgage companies, which rely on the commercial money markets, are at a relative disadvantage.

Early in the 1980s, before banks and societies had made deep inroads into each other's markets, the latter actually were able to hold their mortgage rates several points below base rate — something no bank could dream of doing.

So, the banks will be looking into their crystal balls as earnestly as most home-owners to see which way base rates will move in 1989.

Most, although not all, City economists believe interest rates have risen as far as is necessary to choke off demand in the UK domestic economy.

"The last increase was basically a political gesture. The signs are that demand in the economy is already slowing down," says Richard Jeffrey, economist at Hoare Govett Securities. However, he believes that a 13 per cent base rate is here to stay until the Budget.

Tim Congdon, until recently chief UK economist at Shearson Lehman, believes 13 per cent might be a touch high. "It means slowdown and recession in the economy, and 14 per cent base rate is definitely not needed," he says.

Congdon has long argued that the economy needs a "long period of cooling and convalescence" with base rates at 12 per cent cent for six months. So, any further rise in base rates early in the New Year might be short-lived.

Some analysts believe rates will be back down below 10 per cent by the end of next year. Roger Nightingale, economist at Smith Newcourt, thinks a high base rate will force industrialists to bring down the size of pay increases to under 5 per cent, at which point the Government will be able to relax its interest rate and foreign exchange policies.

The next few months look like being tough for those people with large mortgages

However there are gloomier voices to be heard in the City as well. Bill Martin, chief economist at stockbroker Phillips & Drew, thinks a 13 per cent base rate might well not be enough to cool down the economy. "I think the chances are that we will have another rise in base rates," he says.

Roger Bootle, economist at Lloyds Merchant Bank, agrees. "I don't think the base rate rise will stop at 13 per cent and, what is more, I think that with his present credibility the Chancellor has only one more shot left in his locker.

"Everything hinges on the next few sets of trade figures. If they are bad, the situation will look very much like that of the Heath Government in 1973."

Martin holds out little hope of a fall in rates in the second half of next year. He thinks rates in December 1989 will be "close to those of December 1988; that is, about 13.5 per cent."

So, the next few months look like being tough ones for home-owners with large mortgages, particularly for those who entered the market at its peak in the first half of this year. Those who opted last spring for a fixed-rate mortgage around 10 per cent must now be extremely pleased with themselves.

The demand for such mortgages has remained strong throughout the autumn, with societies such as the Halifax and Abbey National entering the fixed-rate market for the first time and finding no shortage of customers.

Last Monday, in fact, the Halifax had to cancel its outstanding offer for fixed-rate mortgages at 11.5 per cent.

Earlier this year, many people would have said that 11.5 per cent was not a very attractive rate over two or three years, the usual term of the present fixed-rate mortgages. Indeed, unless you are very gloomy about the future of the British economy, it still isn't.

By 1990, inflation and interest rates should be down and life should be easier for home-buyers and the Government. But that depends on how successfully both can traverse the difficult months in the first half of next year.

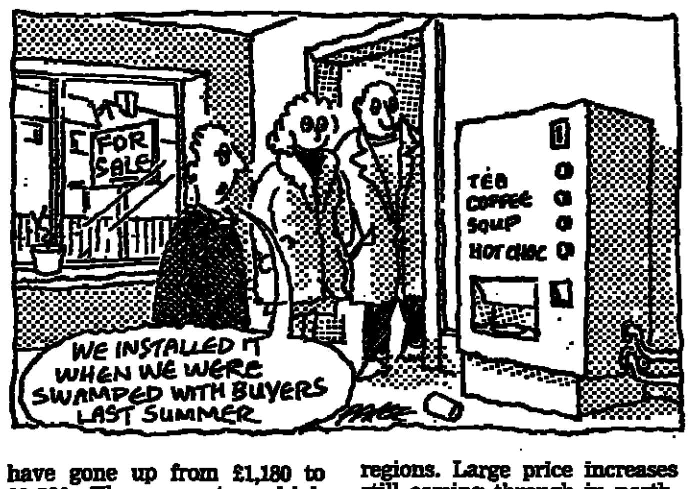
Andrew Taylor on London housing

Buyers hold whip hand

WHAT ON EARTH is happening to house sales in London? If you listen to estate agents, the housing market in the capital is simply undergoing a period of readjustment following a summer boom. Sales, they say, are always more difficult at this time of year and should pick up after Christmas. Some are even forecasting that prices will show a modest increase next year.

Informed gossip suggests a very different picture. People trying to sell houses and flats in London insist prices are not static but have fallen. They say potential buyers coming to view homes have dwindled to a trickle. The latest rise in interest rates, expected to push mortgage costs even higher, is hardly encouraging.

The market appears to have ground to a halt. Sellers have been taking properties off the market rather than lower asking prices, while most buyers insist on price reductions.



One colleague with a five-bedroom house for sale in Putney, south-west London, put it on the market for £245,000 which four estate agents — with, for once, a surprising degree of unanimity — agreed was a reasonable price. Since then, only four people have come to view the house and three of those were little more than sightseers. But it's not all bad: my colleague has been able to reduce the price of the home he is buying (also in Putney) by £25,000 to £350,000.

Several acquaintances have been told by agents not to bother putting their homes on the market until after Christmas, when sales traditionally pick up.

New house-builders normally fill their showrooms with staff on New Year's Day — which, they say, can be one of the busiest selling days of the year. This might provide some hope for the American couple who are returning home and have been trying to sell their two-bedroom garden flat in Belsize Park, north London, since July. The property was bought for £144,000 last summer, since when the monthly mortgage and rate payments have gone up from £1,180 to £1,500. The property, which went on the market at £169,000, has been reduced to £157,000 with still no takers.

An elderly couple in Islington, who have bought a place in the country and need to sell their London home, started advertising their three-bedroom end-of-terrace house at £250,000 earlier this year. By the end of the summer, the couple were advertising for any offers above £200,000. Meanwhile, would-be buyers say details of homes for sale which were sent to them earlier this summer are now coming round for a second or even third time, but with lower prices quoted.

So whose view of the market is correct: the agents or the people who actually are buying and selling? London is an important barometer for future trends in other parts of the country. Agents liked to refer to the "ripple effect" when the capital's sharply-rising prices started to spread out to other regions. Large price increases still coming through in northern England form part of this previous cycle.

One explanation for what is happening in London is that people's expectations of price increases continued to rise after the market had peaked and have not adjusted to the fact that prices actually stopped rising several months ago. Sales activity was expected to slow after the hectic trading which took place earlier this year. Agents say many sales were brought foward after the announcement of tax cuts in the Budget, and to beat the ending of multiple mortgage tax relief on August 1.

Demand for mortgages from building societies fell by a third in September and October. Another indication of the state of the market in London and south-east England has been the re-introduction by major house-builders of mortgage subsidies and part-exchange deals.

Builders like Taylor Woodrow — which says it is sold out until next spring — appear to be taking a relatively relaxed view of the market. They say the British economy is in far better shape than when house prices fell sharply in real terms during 1974 and 1981. Real earnings actually declined during the first half of 1974 and again at the end of 1981. Gross domestic product fell in 1974, 1975, 1981 and 1982. Builders argue that housebuyers previously have come to terms with even higher interest rates, and that present levels are not out of line with the average for the the 1980s.

All of this might be reasonable — but markets operate on confidence. If people buying and selling believe the market is falling, then, even if it is not happening yet, it is likely to become a self-fulfilling prophesy. And that worries estate agents and builders more than they would care to admit, at least publicly.

IN THE NEWS

THE PRIVATE investor lives — and to show how much it cares, the Stock Exchange has published a list of around 150 member firms which are interested actively in private client business. As well as some of the best-known London names, it takes in a wide range of much smaller firms spread throughout the UK and Ireland, *writes Richard Lambert*.

This is no consumer guide: the entries have been written by the firms themselves, and have a distinctly gushy flavour. But it will still be a useful tool for many investors, even those who already have their own stockbroker.

For one thing, it provides a rough check list of the services which each firm offers and, in some cases, shows the charges. There are wide variations, with minimum commissions ranging from £10 upwards, and minimum transactions of as little as £100 - although some firms suggest that, to be economic, each unit of investment needs to be well over £1,000.

As you would expect, the City firms tend to be more demanding than their country cousins. For instance, CL-Laing & Cruickshank sets a minimum portfolio size of £50,000 in London — whereas its branches set a minimum of £20,000.

This is the other value of the booklet: it lists the firms on a regional basis, and is a useful reminder of how much choice is still available in important towns around the country. Thus, there are four firms listed in Norwich, five in Aberdeen, two in Leicester, three in Exeter, and so on.

The booklet is available from the Wider Share Ownership Unit, International Stock Exchange, London EC2N 1HP (tel. 01-588-2355) and costs £1.

■ Another indication that the take-up of Personal Equity Plans has been disappointing came this week with the announcement by Barclayshare, the retail stockbroking arm of Barclay's Bank, that it had decided to wait before deciding whether or not to introduce a 1989 Personal Equity Plan until after the Budget next year.

Barclayshare blames the complexity of PEP controls for a very low takeup of its plan in 1988, believed to be less than 20 per cent of its original estimates. During 1988, Barclayshare has attracted only 3,500 plans compared with 15,000 in 1987. However, Barclayshare will continue to manage existing plans and will review its decision in the light of any measures in the Budget to encourage PEPs.

■ Save & Prosper clearly takes a different view. On Thursday, it announced the launch of a 1989 PEP. S & P defends its more bullish outlook on the grounds that there might be new tax incentives from the Government in order to encourage saving through PEPs. However, the company admits there has been no indication from the Treasury as to if and when this might happen.

■ R. J. Temple is providing a seasonal opportunity to parents, grandparents or other benevolent adults to invest in Equity & Law's new Headstart plan for children. The plan is written in trust for the child and is a unitised, non-qualifying, with-profits endowment designed for regular savings over a period of at least 10 years.

Anyone commencing Headstart through R. J. Temple before December 31 will also be contributing to the Wishing Well appeal of London's Great Ormond Street children's hospital.

The Week Ahead

A sleeping giant awakens at last

GEC, the electronics group headed for decades by Lord Weinstock, had in recent years acquired a reputation for being one of the sleepiest and most cautious of the UK's manufacturing giants. Last month's bid for Plessey in conjunction with Siemens changed that: at last a sign of a major strategic move, at last a willingness to grow by acquisition rather than by collecting the interest on its cash mountain.

In the context of the Plessey bid, interim figures out on Tuesday are something of an irrelevance, but modest growth across all divisions should produce a rise in pre-tax profits to between £300m and £305m for the first half, up from £284m in the comparable period – a sign that the company has begun to lift itself off the earnings plateau of recent years.

On Wednesday, Hanson, the UK conglomerate, may find further ammunition to fire at the critics of its Kidde acquisition last year. Kidde is expected to chip in a net $50m (£27m) into Hanson's pre-tax profits of about £860m for the year to September.

The results, a 16 per cent increase from last year's £741m, will also reflect a strong performance from its building-related products. As usual, interest will focus on possible uses for Hanson's cash pile, which now stands at about £900m. Investors are also keen to find out whether Hanson will continue to woo the income funds by offering, as at the interim stage, a sizeable dividend increase.

Bass, Britain's biggest brewer, is expected on Wednesday to report pre-tax profits of up to £445m – an increase of 22 per cent – for the year to September 30.

The beer division, packed with strong brands such as Tennent's and Carling lagers, should have increased volumes and market share despite the poor summer weather which has adversely affected some of its competitors. It will be more difficult to identify the trends in the leisure division with Holiday Inns acquired in May and Horizon, the holiday business, sold in August.

Pre-tax profits of £565m, a 24 per cent increase on the previous year, are forecast for Grand Metropolitan, whose results for the year to September 30 are due on Thursday. Wines and spirits should continue to be star performers, with the UK brewing and retailing division continuing to make solid gains. Inter-Continental – which has been sold to Seibu Saison – will continue to show improvement and in the US Pearle Health has done well for dollar earnings. Betting and gaming have show reasonable growth.

Estimating Pilkington's interim profits, due on Thursday, is an art, not a science. Difficulties in predicting the effect of exchange rate movements and the costs arising from the reorganisation of Visioncare, its new US business, have left analysts' estimates sprawling between £135m and £155m for the half year to end of September, compared with £122m last year. Overall, the business should have benefited from the strength of the cars and building markets but will be held back by higher interest charges arising from further investment and acquisitions.

Trafalgar House, the shipping to construction group headed by Sir Nigel Broackes, reports its full year figures on Tuesday. They should be good. Housebuilding profits should have grown vigorously; the interest charge should have dropped dramatically because of the £306m raised from shareholders in the summer of 1987; there will be property profits arising from the acquisition of Chase Property Holdings, and – reflecting the contribution from a recently refurbished QE2 – the hotels division should have performed well to boot. So the company should come in with pre-tax profits of between £220m and £225m, up from £163.2m in the previous year. More interesting than the historical figures will be Sir Nigel's comments on the outlook for the current year.

Analysts have been scratching their heads over the likely outcome of Argyll Group, the supermarket chain, at its interim stage. Pre-tax profit forecasts for the half year to mid October, to be announced on Tuesday, range from about £85m to £100m, compared with £75.4m this time last year. The main imponderable is how successful Argyll has been at converting Presto supermarkets into Safeway stores, a move which is expected to double the shops' profitability but incur an exceptional charge of £26m over the full year.

Saatchi & Saatchi, the advertising and business services group, is expected on Wednesday to announce pre-tax profits of between £135m and £139m for the year to September 30, compared with £124m in the preceding 12 months. Investors disappointed with Saatchi's flat performance in recent years are unlikely to be excited by the last 12 months, with fully diluted earnings almost static following the recent issue of convertible preference shares. Analysts expect 1987-88 to have been a year of consolidation for the group, with Europe and the Far East beginning to outpace the US, where advertising expenditure is slowing down following Olympics and presidential election bonanzas.

Thorn EMI looks like announcing a substantial increase in pre-tax profits to between £90m and £100m in the six months to September 30 – traditionally the weaker half for the diversified retailing and industrial group – against £60.7m in the equivalent period.

The main drive behind the increase should have come from Rent-A-Center, the US electronic goods and furniture rental chain, which was only bought about four weeks before the end of the comparable period's figures. Analysts are also expecting strong growth from the technology division, covering electronics, software and defence interests.

Tony Gartland, chief executive of FKI Babcock, is a turn-around specialist who is proud to have "rationalised" no fewer than 26 companies in the last 14 years. By far the biggest of these was Babcock International, a slumbering giant of the UK manufacturing industry bought by FKI last summer in a £415m agreed bid. Next week's interims, due out on Thursday, ought to reflect the full benefit of the Gartland treatment at Babcock and pre-tax profits for the first half are expected to match the £45m made in the whole of the last financial year.

With its recovery phase over, and the company having to cast around for organic growth in less than ideal market and currency conditions for its main products, interim pre-tax profits of precious metals group Johnson Matthey are expected to come out more or less flat on last time's £38.8m. Analysts' estimates are in the range of £29m to £33m.

However, now Minorco chief executive Michael Edwardes has taken over as chairman of JM's 38 per cent shareholder Charter Consolidated, the trading aspects of Thursday's results could be eclipsed by eager listening for any clues on what further restructuring plans may be afoot in the Anglo-American nexus of companies.

Northern Foods, the company which speaks for about half of Britain's meat pie market, is benefiting from good cost reductions in meat manufacturing arising from its ongoing rationalisation programme. The other main feature of its interim results, due on Tuesday, will be volume growth in its recipe dishes side. Analysts expect £38m to £40m pre-tax, against £34.5m last time.

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £ms**	Bidder
Prices in pence unless otherwise indicated					
Armstrong Equip.	158§§	163	160	83.99	Wardle Storeys
Assoc. News.	765*§	759	503	1.02bn.	Daily Mail & Gen
Aurora	148.8*§	145	127	138.10	Aust. Nat. Inds.
Avdel	80*	80½	77	101.6	Banner Inds.
Bejam	191	180	171½	238.66	Iceland Frozen F
Birmid Qualcast‡	450*§	449	417	330.00	Blue Circle
Brit. Syphon	155*	159	158	48.73	Britannia
Buckley's Brew.	156*§	153	150	25.0	Harp Lager
Burford Grp.	374	368	388	45.96	Charlesurch
CLF Hldgs.	250††	156†	156†	88.1	Yeoman Intl.
Carless	116§§§	117	109	206.58	Kelt Energy
Christy Hunt	70	69	52	33.97	Triplex Lloyd
Collins (Wm.)	640*§	795	543	98.9	News Intl.
Collins (Wm.) A	535*§	615	453	194.1	News Intl.
Corah	75*§	72	65†	27.2	Charterhall
Cundell	160*	186	139	28.80	Crown Indl. Grp
Cundell	137	186	128	24.66	Ferry Pickering
Cundell	185*	186	171	33.3	Smurfit (J.)
Dale Group	90	91	87	10.93	Beaufort
Granyte Sfce. C.	130*	130	103	16.2	McLeod Russel
Hammerson	818*§	918	739	294.32	Rodamco
Hammerson A	780*§	873	675	1.01bn.	Rodamco
Hille Ergonom	72½	71	53†	8.23	Wassall
Invergordon‡	405*	403	370	93.15	DMWS 99
Irish Dist.‡	Ir450*	Ir456	Ir366†	Ir283.0	Pernod Ricard
Johnson Fry	167§§	161	102	23.01	LIT Hldgs.
LandLeisure	390§§	366	377	165.26	Leisure Invs.
London Shop	300*	306	304	180.47	Peel Hldgs.
Pillsbury	$60*	$59	$39⅛	$5.23bn	Grand Met.
Plessey	225*	208	175½	1.7bn	GEC-Siemens
Questel	253	237	205	11.31	Irish Wire
Suter	224§§	213	240	265.20	Thomson T-Line
Task Force	225*	221	191	18.49	Alphasound
Telephone Rentals	340*§	335	211	320.0	Cable & Wireless
Underwoods	150*	143	91	40.8	Boots
Webb (Joseph)	61½	63½	68½	15.87	Mowat Group
Zygal Dynamics	106	116	92	15.79	Misys

*All cash offer.††Cash alternative. ‡Partial bid. §For capital not already held. ‡Unconditional.**Based on 2.30 pm prices 2/12/88.†At suspension. §§Shares and cash.

RESULTS DUE

Company	Announcement due	Dividend (p)* Last year Int.	Final	This year Int.
FINAL DIVIDENDS				
Albion	Wednesday	0.8	1.2	1.0
Anglia Secure Homes	Tuesday	0.7	1.3	1.2
Archer AJ Holdings	Thursday	-	-	-
Avon Rubber	Wednesday	3.0	7.0	4.0
Bass	Wednesday	4.8	14.7	5.4
Berisford S&W	Thursday	4.0	10.0	4.5
Burns Anderson Group	Friday	1.5	2.0	1.7
Chrysalis Group	Thursday	2.0	5.0	2.0
City Site Estates	Wednesday	0.6	0.6	0.7
Cronite Group	Tuesday	-	-	-
Crystalate Holdings	Friday	2.1	3.7	2.1
Dobson Park Industries	Monday	1.9	3.3	1.9
Eldridge Pope & Co	Tuesday	3.5	4.2	4.0
Grainger Trust	Wednesday	0.7	2.6	0.9
Grand Metropolitan	*Thursday*	*4.5*	*7.5*	*5.5*
Greenall Whitley	Friday	2.5	3.5	2.7
Hanson	Wednesday	1.4	3.0	1.8
Leeds Group	Tuesday	2.2	4.0	2.7
Lovell YJ Holdings	Thursday	1.2	3.7	1.5
Mecca Leisure Group	*Tuesday*	*1.5*	*2.1*	*1.7*
Richards	Thursday	0.7	1.9	0.9
Saatchi & Saatchi Co	Wednesday	6.4	8.1	7.4
Speyhawk	Thursday	2.5	8.5	3.0
Trafalgar House	Tuesday	6.5	8.0	7.2
Tunstall Group	Thursday	1.0	2.2	1.5
VPI Group	Tuesday	0.7	1.5	2.0
Whessoe	Thursday	-	1.0	1.0
INTERIM DIVIDENDS				
Airsprung Group	Friday	2.1	2.8	-
Alexander (Walter)	*Thursday*	*1.8*	*3.2*	-
Alexon Group	Thursday	2.5	5.5	-
Allied Colloids	Wednesday	0.6	1.6	-
Argyll Group	Tuesday	1.8	3.5	-
Assoc British Engineering	Friday	-	-	-
Atkins Brothers (Hosiery)	Tuesday	3.0	7.0	-
Avesco	Wednesday	-	0.7	-
Beaverco	Monday	1.7	4.0	-
Birmingham Mint	Wednesday	2.7	4.7	-
Boase Massimi Pollitt	Thursday	2.2	6.7	-
Bogod-Pelepah	Tuesday	0.1	0.2	-
Booth Industries	Tuesday	0.4	1.0	-
Boscombe Property	Friday	-	-	-
Bristol Evening Post	Friday	3.0	6.0	-
British Land	Wednesday	1.44	2.58	-
Brown & Tawse	Monday	2.4	5.6	-
BTP	*Wednesday*	2.2	3.9	-
Cape Industries	Tuesday	1.5	4.0	-
Caradon	Monday	-	-	-
Clayhithe	Monday	0.7	2.2	-
Coalite Group	Tuesday	2.5	7.3	-
Continuous Stationery	Tuesday	0.7	2.2	-
Crosby James Group	Tuesday	0.6	1.4	-
Dominion International	Wednesday	2.5	3.0	-
Elga Group	Friday	0.7	0.3	-
Equity Consort Invest Tst	Tuesday	4.4	10.4	-
Evans of Leeds	Wednesday	2.0	3.5	-
FKI Babcock	*Thursday*	*0.6*	*1.7*	-
GEC	Tuesday	1.8	4.7	-
Gibbon Lyons Group	Thursday	1.5	3.0	-
Goodman Group	Wednesday	-	0.2	-
Greene King & Sons	Friday	2.2	5.2	-
Greycoat Group	Thursday	1.6	2.0	-
Harland Simon Group	Tuesday	0.6	1.8	-
Harmony Leisure	Monday	-	0.14	-
Hazlewood Foods	Wednesday	1.1	1.5	-
Hicking Pentecost	Friday	-	0.5	-
Hunter Saphir	Thursday	1.3	2.7	-
Illingworth Morris	*Thursday*	*1.5*	*3.0*	-
Israel Jack L	Thursday	-	0.6	-
ITL Information Technology	Tuesday	0.4	1.6	-
Johnson Matthey	Thursday	2.5	4.5	-
Joseph (Leopold) Holdings	Tuesday	2.8	11.6	-
Latham James	*Wednesday*	3.5	6.0	-
Learmonth & Burchett	Tuesday	0.5	1.2	-
Leigh Interests	Monday	1.8	3.8	-
Logitek	Tuesday	0.9	1.8	-
MS International	Tuesday	0.7	2.5	-
Northern Foods	Tuesday	4.2	5.7	-
Oceonics Group	Wednesday	-	-	-
Osbourne & Little	Thursday	1.7	3.3	-
Phoenix Timber Group	Thursday	1.0	1.5	-
Pilkington	Thursday	2.3	-	-
Reed Executive	Tuesday	0.5	1.5	-
Reject Shop	Monday	-	-	-
Salvesen (Christian)	Wednesday	1.5	2.6	-
Scapa Group	Thursday	2.3	5.4	-
Smith & Nephew	Wednesday†	1.4	2.0	1.5
Sterling Publishing Group	Monday	-	3.3	-
Tams (John) Group	Wednesday	-	-	-
TGI	*Tuesday*	-	2.4	-
Thorn EMI	Thursday	6.0	16.0	-
Toothill RW	Thursday	3.6	5.4	-
TR Technology	Friday	-	-	-
Vinten Group	Thursday	1.2	2.7	-
Yellowhammer	*Tuesday*	0.7	1.7	-
York Trust	Wednesday	0.4	1.5	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue.† third quarter figs.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Amber Day Hldgs	July	503	(155)	0.9	(-)	-	(-)
Carroll PJ & Co	Sept	7,100	(6,454)	10.7	(10.0)	8.2	(7.6)
Circaprint	Aug	1,240	(1,250)	15.7	(15.3)	2.4	(1.9)
Clyde Blowers	Aug	141	(208)	10.6	(16.0)	7.1	(7.1)
Fairline Boats	Sept	3,630	(2,420)	73.3	(40.5)	13.5	(9.0)
Five Oaks Invest	June	3,040	(2,187)	8.7	(7.1)	-	(-)
GWR Group	Sept	707	(486)	-	(-)	3.0	(-)
Hardanger Prop	Sept	7,040	(5,300)	66.6	(51.5)	22.5	(15.0)
John & Firth Brn	Sept	7,700	(5,620)	3.8	(3.4)	2.0	(1.5)
Kwik Save Group	Aug	55,180	(46,610)	23.3	(19.9)	7.8	(6.6)
MEPC	Sept	104,800	(80,000)	22.0	(19.1)	14.5	(13.0)
Perpetual	Sept	2,620	(5,490)	6.9	(14.6)	2.5	(2.5)
Royal Bank Scot	Sept	309,200	(196,943)	67.1	(45.0)	15.0	(12.7)
SAC Int'l	Aug	2,020	(3,240)	6.0	(10.8)	4.0	(3.5)
Sidlaw Group	Sept	5,600	(2,600)	17.3	(9.2)	7.0	(5.5)
Tate & Lyle	Oct	120,100	(92,000)	88.6	(71.5)	29.6	(26.0)
TMD Advertising	Aug	12,100	(885)	13.7	(10.2)	3.9	(2.4)
TSB Channel Isd	Oct	7,300	(6,050)	20.0	(15.4)	4.5	(4.3)
Warringtons	Sept†	630	(1,540 L)	-	(-)	1.0	(-)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Allied Lyons	Sept	229,000	(197,414)	5.0	(4.3)
Anglo United	Sept	2,510	(1,710)	0.2	(0.2)
Aspray	Sept	8,110	(7,372)	1.3	(1.2)
Baker Harris Saunder	Oct	1,940	(1,050)	3.0	(2.2)
Barlo Group	Sept	587	(439)	1.2	(-)
Bassett Foods	Oct	2,400	(2,105)	2.2	(2.07)
BET	Oct	120,200	(92,100)	3.5	(3.0)
Black Arrow	Sept	1,900	(1,530)	1.0	(0.7)
BOM Holdings	July	514 L	(507 L)	-	(-)
BPB Industries	Sept	104,100	(90,900)	3.7	(3.0)
Bromsgrove Indust	Sept	2,220	(1,020)	1.0	(0.6)
Business Mortgage	Sept	7,200	(4,300 L)	-	(-)
Caledonia Invest	Sept	12,240	(5,390)	3.5	(2.5)
Castings	Sept	1,140	(889)	1.7	(1.4)
Chamberlain Phipps	Sept	3,900	(3,370)	1.6	(1.4)
Chamberlin & Hill	Sept	774	(584)	2.5	(2.0)
Chemoxy Int'l	Sept	514	(237)	2.6	(1.8)
Chloride Group	Sept	7,700	(6,309)	0.55	(0.5)
Cropper James	Oct	1,170	(1,060)	0.67	(0.67)
Dawson International	Sept	21,100	(19,000)	2.8	(2.4)
Edbro	Sept	1,500	(1,300)	1.0	(-)
Erskine House	Sept	4,840	(3,920)	1.9	(1.6)
Ferranti Int'l	Sept	40,100	(23,000)	0.76	(0.72)
Hambros	Sept	36,600	(26,600)	3.3	(3.0)
Hellenic & General	Sept	1,020	(1,250)	-	(-)
Hewetson	Sept	815	(348)	1.2	(1.0)
HPC Group	Sept	401	(386)	1.0	(-)
Hughes Food	Sept	2,200	(2,018)	0.2	(0.2)
Int'l Comm & Data	Aug	20	(225)	-	(-)
Irish Wire Products	Sept	1,290	(469)	1.5	(-)
London Securities	Sept	1,140	(637)	-	(-)
Merrydown Wine	Sept	748	(673)	1.0	(0.9)
Millward Brown	Sept	2,160	(851)	1.5	(-)
Monks & Crane	Sept	1,220	(1,010)	1.3	(1.2)
Mountview Estates	Sept	6,420	(4,730)	2.0	(1.0)
NSM	Sept	4,220	(1,850 L)	-	(-)
Peel Holdings	Sept	9,300	(4,700)	3.0	(1.7)
Porter Chadburn	Sept	1,730	(581)	0.6	(0.2)
Premier Cons Oilfld	Sept	4,749	(7,726)	-	(-)
Property Partnership	Sept	995	(845)	2.0	(1.7)
Regian Property	Sept	419	(315)	-	(-)
Readicut Int'l	Sept	6,670	(5,210)	0.57	(0.38)
Ritz Design Group	Sept	650	(464)	-	(-)
Robertson Group	Sept	2,570	(3,170)	1.1	(0.9)
Rolfe & Nolan	Aug	350	(232)	2.1	(1.5)
Rowlinson Securities	Sept	1,630	(641)	0.24	(0.22)
Sanders & Sidney	Sept	364	(305)	2.3	(2.0)
Shanks & McEwan	Sept	6,510	(4,780)	7.0	(7.0)
Shaw Arthur & Co	Oct	535	(412)	1.1	(-)
Sheraton Securities	Sept	9,150	(4,070)	1.5	(0.5)
Siebe	Sept	67,600	(50,100)	3.37	(2.7)
Union Square	Sept	1,840	(648)	0.4	(0.3)
United Industries	Oct	1,260	(813)	1.2	(0.6)
Verson International	July	363	(167)	0.17	(0.11)
Vibroplant	Sept	5,510	(1,700)	1.0	(0.6)
Vosper Thornycroft	Oct	4,300	(7,900)	2.7	(-)
Wiggins Group	Sept	3,820	(1,830)	3.0	(2.0)
Williams Rex Leisure	May	89	(103)	-	(0.4)
Wyndham Group	Sept	501	(225)	1.5	(1.0)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss.† this years figs for 9 months.

RIGHTS ISSUES

BOM Holdings is to raise £18.4m via a three-for-two rights issue at 2½p.
Haden Maclellan is to raise £22m via a one-for-four rights issue at 165p.
Peel Holdings is to raise £121.2m via a four-for-five rights issue at 300p.
Swanyard Studios is to raise £3.56m via a one-for-one rights issue at 2½p.

OFFERS FOR SALE, PLACINGS AND INTRODUCTIONS

American Distributors is to raise £3m via an open offer and placing.
Apollo Metals is to join the USM via a placing of 4.31m shares at 58p.
Bletchley Motor is to join the USM via a placing of 1m shares at 200p.
Bostrom is to join the main market via a placing of 4m shares at 135p.
Channel Express is to join the USM via a placing of 2.86m shares at 70p.
Embassy Property Group is to join the USM via a placing of 2.63m shares at 100p.
Europa Minerals is to join the main *market via a placing* of 5.5m shares at 110p.
Kronagraphic is to join the Third Market via a placing of 3.05m shares at 10p.
Metro Radio is to join the USM via a placing of 1.83m shares at 110p.

EXPATRIATES

Peter Gartland on reaction to planned changes in tax rules

Revenue 'cure' is under fire

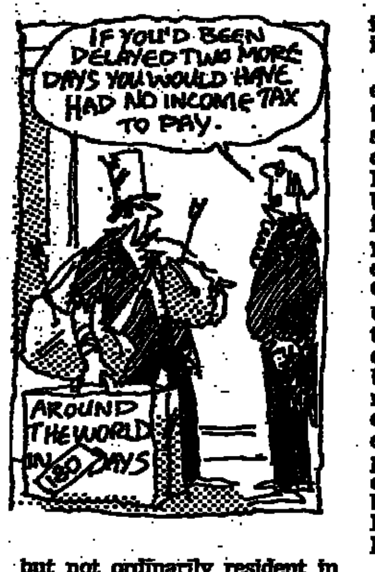
FINANCIAL advisers have not been slow to criticise the Inland Revenue's plans to rewrite income and capital gains tax rules for expatriates.

In July, the Inland Revenue took everyone by surprise when it published a consultative document entitled *Residence in the United Kingdom: the Scope of UK Taxation for Individuals*. At the time, Treasury minister Norman Lamont argued that the aim was to move in the direction of greater simplicity and certainty, and to "relate liabilities to UK tax more closely to the degree of an individual's connection with this country." The closing date for comments on the proposed changes was November 30.

The Revenue is being coy about the number and source of comments it has received, but early indications suggest that the proposals are coming under considerable fire from professional advisers such as accountants and solicitors.

Under the existing UK tax system, an individual's liability depends on three factors which will be familiar to expatriates — residence, ordinary residence and domicile. There is no definition in the Taxes Act of the terms "resident" and "ordinarily resident," but court decisions show that both expressions are used in an everyday sense and do not have any special or technical meaning. Someone who spends 183 days or more of a tax year in the UK will always be regarded as resident. For someone who spends less than 183 days a year in the UK, a number of criteria are used to determine residence.

This means, for instance, that the term "ordinarily resident" is equivalent broadly to "habitually resident." If an individual is resident in the UK year after year, he is ordinarily resident. It follows that an individual might be resident



but not ordinarily resident in the UK for a given year if, for example, he normally lives outside the UK but makes visits here in that year for 183 days or more.

Domicile is something else again. Under English law, a person acquires a domicile of origin at birth. This is normally the domicile of his father and, therefore, not necessarily the country where he himself was born. A child born of a British father in Saudi Arabia will have a UK domicile, rather than a Saudi one. As a wise old law professor said: "Residence is where you live but domicile is where you think you live."

Complicated? You bet. The existing rules can also give rise to anomalies which make the system look harsh in some cases, and generous in others. For example, if someone has UK accommodation available for his use, then even one day's presence in a year might be enough to make him resident. Conversely, when an individual arrives in or leaves the UK, that day is not counted in calculating the time spent in the UK in a particular year. The resulting generosity for someone who makes a great number of short visits is such that it is possible to be in the UK on every day of the year and not be treated as resident — so long as he is absent for a few hours on at least half of them.

The Revenue's approach to curing such anomalies is, in essence, as follows. An individual who is present in the UK for 30 days or less in a tax year would not be resident for tax purposes. The "available accommodation" test would be scrapped. An individual would be regarded as resident if he was present in the UK for 183 days or more in any year. Presence for any part of a day would count as presence for the whole day, subject to some exclusions such as transit passengers and residents of the Republic of Ireland who commute to work in Northern Ireland. For anyone spending between 30 and 183 days a year in the UK, the Revenue appears to favour an approach based on the number of days of presence in previous years.

So far so good. But not everyone agrees the proposed rules will be an improvement on the existing ones. Anne-Marie Piper, a solicitor with London law firm Richards Butler, says the major area for concern is the emphasis on world-wide income as a basis for liability for a greatly increased number of taxpayers. Piper argues that the task of checking someone's world-wide assets adequately would prove impossible for the UK tax authorities, whose resources are already stretched greatly. She is concerned that an inadequately-policed system would not lead to greater fairness. She points to the experience of the US Internal Revenue System which, she says, "admits to a very high rate of failure in checking the assets and resources of their non-resident citizens." Her solution is to amend the present rules, but not introduce wholesale changes.

Leslie Livens, partner in charge of international business at chartered accountant Moores & Rowland, is rather more outspoken, describing the Revenue's proposals as "a recipe for administrative porridge." Livens is critical of the Revenue for producing a consultative document without any apparent regard for exchange of information with other countries and predicts "a total mess" in which "the guys who are going to avoid tax will continue to do so."

Faced with such hostility, the Revenue is likely to stress that its proposals were for "consultation." Whether that will be sufficient to get it off the hook, avoid taking any action and leave the present framework intact, remains to be seen.

■ *Peter Gartland is editor of The International, the FT's magazine for expatriates.*

April ruling likely for Barlow Clowes compensation

BARLOW Clowes investors are likely to have to wait until April at the earliest for the final findings of the investigation by the parliamentary ombudsman, Sir Anthony Barrowclough, into the licencing of the collapsed investment group.

Although his findings lack the force of law, if he finds evidence of maladministration by the Government, the Department of Trade and Industry could feel obliged morally to compensate investors for part of their losses.

In 1986, the ombudsman found against the Government in all but two of 168 cases investigated. The amount of compensation paid following his recommendations is usually tiny although there are exceptions, such as the payment of £30,000 to one individual by the Customs and Excise department in 1986.

The DTI has paid compensation only once as the result of findings by the ombudsman. It says that should it decide to compensate investors, the time this would take would depend on the complexity of the case.

Allied Dunbar appears to be the only finance group so far to offer compensation to a limited number of clients "facing substantial hardship" after investing in Barlow Clowes following recommendations by Allied Dunbar salesmen. It is paid as an interest-free loan repayable only if clients get money back from other sources, such as BCI's liquidators.

"The payment of an interest-free loan doesn't mean we admit responsibility for negligence," says marketing director Peter Emms.

Heather Farmbrough

Barry Riley on the glum forecasts of Ravi Batra

The profit of doom

SEVEN FAT years from 1983 to 1989 will be followed by seven lean years. In fact, the period from 1990 to 1996 will bring a terrible economic depression, probably even worse than the 1930s. Pay off your loans, sell your shares and buy gold coins. Then batten down the hatches.

Indian-born Ravi Batra, a US economics professor, has been peddling his message of doom in the US with some success for several years. Shrewdly, he began preaching the message a long time in advance of 1990, allowing plenty of time for sales of his book (first published in 1985) to develop. In fact, *The Great Depression of 1990* was published in the UK only last month*. Already, he has a new bestseller out in America called *Surviving the Great Depression of 1990*.

Despite bumper sales, though, the book has yet to change the course of history. "I've been talking like this for 10 years, hoping to prevent a depression," says Batra. "But the experts are still not paying attention and the public is confused."

Batra is by no means the first doomster to base apocalyptic predictions upon the so-called long wave theory, known best from the works of the 1920s' Soviet economist, Nikolai Kondratieff. Several gurus forecast economic disaster in 1984, pinpointed as being 55 years after 1929. But they were wrong.

In fact, Kondratieff never claimed that his long waves could be timed with any precision. So, give or take five or 10 years, the collapse could still be on the way. British economic guru Gordon Pepper, now attached to the Midland Bank offshoot, Midland Montagu, has just produced a paper in which he accepts that a long wave pattern exists, something which he has denied previously. But he does not predict doom so conclusively.

Ravi Batra dismisses Kondratieff waves and claims instead to have detected a 30-year cycle, about half as long. So, the 1930s' depression should have been followed by a 1960s' slump. End of theory? You can't shake off Batra that easily. If the world misses out on one collapse, he claims, it just means that the next one will be much worse. Now, as 1990 looms ever nearer, Batra says that not only can he forecast the coming depression but he can also see, with increasing clarity, the mechanism that will set it off. "The trigger is going to be a collapse of the US dollar," he predicts.

Ravi Batra . . . pessimistic

Already, the dollar is being propped up by foreign central banks and bank prime rates have just gone up. According to Batra, the US Federal Reserve will be forced to push up rates further, again and again. That will trigger off a recession in the US within the next nine months.

What, though, is the basis of all this doom and gloom? It is true that Batra's forecast of a US recession in 1990 is looking increasingly plausible. Most Republican presidents since the war have squeezed the US economy during the second year of their first term, as a preliminary to a subsequent re-election boom. But why should a recession intensify into a disastrous slump, marked by unemployment which Batra believes could reach 30 per cent in the US?

He claims that there has been a build-up of financial excesses and complacency. Wealth over two generations since the 1930s has become concentrated in relatively fewer hands, encouraging imprudence and speculation — such as the wave of leveraged takeovers in the US. If this is not countered through tighter regulation and taxation of the rich, a business slump will become necessary to destroy capital and restore a stable pattern of wealth distribution.

As it stands, this theory is not much more than waffle. In Britain, at least, wealth distribution has arguably become more equal, although this admittedly depends on fickle values for residential property. But Ravi Batra remains immovably gloomy. "Until they deal with excessive speculation, I will be very pessimistic," he insists.

His advice to private individuals is to save as much as possible, pay off all non-mortgage debt and keep liquid. Gold will hold its value but equities and real estate should be avoided for two or three years.

It could be an ideal time to spend a few years on a desert island. And if you come back in 1996, you should be just in time to see the start of the next golden age. "For the longer term, I am very optimistic," says Batra. And, who knows, he could just be writing another book about the fat years to come.

* *Bantam Books, £4.95.*

INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

	Quoted rate %	Compounded return for taxpayers at 25%	40%	Frequency of payment	Tax (see notes)	Amount invested £	Withdrawal (days)
CLEARING BANK*							
Deposit account	4.00	4.10	3.28	monthly	1	-	0-7
High interest cheque	7.00	7.20	5.76	monthly	1	1,000-4,999	0
High interest cheque	7.40	7.70	6.16	monthly	1	5,000-9,999	0
High interest cheque	7.80	8.10	6.48	monthly	1	10,000-49,999	0
High interest cheque	8.20	8.50	6.80	monthly	1	50,000	0
BUILDING SOCIETY†							
Ordinary share	5.50	5.58	4.46	half-yearly	1	1-250,000	0
High interest access	7.40	7.40	5.92	yearly	1	500	0
High interest access	7.65	7.65	6.12	yearly	1	2,000	0
High interest access	8.15	8.15	6.52	yearly	1	5,000	0
High interest access	8.40	8.40	6.72	yearly	1	10,000	0
90-day	8.40	8.58	6.86	half yearly	1	500-9,999	90
90-day	8.65	8.84	7.07	half yearly	1	10,000-24,999	90
90-day	9.15	9.36	7.49	half yearly	1	25,000	90
NATIONAL SAVINGS							
Investment account	10.00	7.50	6.00	yearly	2	5-100,000	30
Income bonds	10.75	8.47	6.78	monthly	2	2,000-100,000	90
Deposit bond	10.75	8.06	6.45	yearly	2	100-100,000	90
34th issue‡	7.50	7.50	7.50	not applica	3	25-1,000	8
Yearly plan	7.50	7.50	7.50	not applica	3	20-200/month	14
General extension	5.01	5.01	5.01	not applic.	3		8
MONEY MARKET ACCOUNT							
Schroder Wagg	9.21	9.60	7.68	monthly	1	2,500	0
Provincial Bank	9.60	10.00	8.00	monthly	1	1,000	0
UK GOVERNMENT STOCKS							
5pc Treasury 1986-89	11.02	9.71	8.93	half yearly	4	-	0
8pc Treasury 1992	11.02	8.91	7.64	half yearly	4	-	0
10.25pc Exchequer 1995	10.82	8.03	6.48	half yearly	4	-	0
3pc Treasury 1990	10.26	9.45	8.97	half yearly	4	-	0
3pc Treasury 1992	8.98	8.13	7.63	half yearly	4	-	0
Index-linked 2pc1992§§	8.42	7.91	6.60	half yearly	2/4	-	0

*Lloyds Bank. †Halifax 90-day: immediate access for balances over £5,000. ‡ Special facility for extra £5,000. §Source: Phillips and Drew. §§Assumes 5.0 per cent inflation rate. 1 Paid after deduction of composite rate tax. 2 Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax.

FINANCE & THE FAMILY

Richard Tomkins reports on a Birmingham firm's shift of emphasis

It helps if you're rich

IT IS NOT that there is anything snobbish about the people at Smith Keen Cutler, the Birmingham stockbroker. But unless you are a high net worth private client – in anybody else's language, rich – you are unlikely to find yourself on its Christmas card list.

Surprisingly, perhaps, this is not because the firm is some stuffy old relic of the days when share ownership was the preserve of the wealthy. Rather, it is the product of a deliberate policy to take it up-market.

Until 1986, Smith Keen – the biggest Birmingham broker after Albert E. Sharp – was a fairly typical independent firm serving a wide range of private clients and doing a little institutional business on the back of its research into local companies.

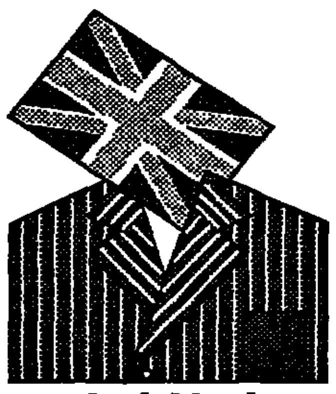
It was then acquired by the Midland Bank, but more by accident than design. It just happened that shortly after Smith Keen was bought by W. Greenwell, the London stockbroker, Greenwell was taken over by the merchant bank Samuel Montagu, and Samuel Montagu was acquired by the Midland.

Greenwell, a broker with a substantial private client business operating alongside its institutional operations, had bought Smith Keen out of a conviction that there was a long-term and profitable future in private client broking if only settlement costs could be brought down.

The idea was that the acquisition would not only expand Greenwell's client list but provide the opportunity to set up a cheaper out-of-town centre for the merged back-office operations of its own private client arm, Smith Keen's private client business, and further acquisitions that were planned to follow.

A number of factors combined to leave this strategy moribund over the next two years. Greenwell's absorption into the Midland, the Big Bang, concern over the settlement problems that accompanied the 1986/87 privatisation boom, the stock market crash and Greenwell Montagu's closure of its troubled equity market-making and institutional stockbroking operations earlier this year – all distracted from the plan's implementation.

It was jerked back into life earlier this month, however, when Greenwell Montagu Stockbrokers (as Greenwell's private client operation is now known) bought the business of a small London broker called



Provincial brokers

Robert Wigram, a purchase that added some 4,000 clients to the 16,000 on Greenwell's and Smith Keen's books.

Early next year, too, the key element of Greenwell's strategy will come into play when the switch is thrown on new computer systems that will double Smith Keen's settlement capacity to 175,000 transactions a year and enable Greenwell's back office operations to be concentrated in Birmingham.

The significance of this move is that it will transform Greenwell's cost base. The firm's expensive-to-run London back office, employing 70, will virtually close down, but Smith Keen will need to expand its settlement staff of 60 by only 10 or so to run the whole show.

Smith Keen, therefore, finds itself at the centre of Greenwell's development, but not just as a low-profile back office operation. One reason why it has retained a separate identity within the group is so that it can build on its local reputation, and not just in private client stockbroking.

Its corporate finance operation, for example, is still small, with around 20 local brokerships; but introductions provided by the Midland Bank are helping it to grow. Earlier this month, too, it took a small but significant step towards expanding its financial services arm with the acquisition of Fairbridge Read, a small Solihull consultancy.

It is nevertheless the private client business that will dominate Smith Keen's immediate future, and this operation is undergoing a change of emphasis as it is gradually brought into line with the Greenwell philosophy.

Greenwell has been associated traditionally with the wealthy private investor. Its advertisements invite people with £75,000 available to get in touch, but this figure is pretty well rock bottom.

"When we say high net worth individuals, we are normally talking about people with over £100,000 available for investment and, ideally, rather more than that," says Ernest Fenton, chief executive of Greenwell Montagu Stockbrokers and Smith Keen Cutler.

"It also has to be within the context of a reasonable amount of wealth generally. Smith Keen Cutler would find that people with £50,000 or more available might be acceptable, but really we are trying to move away from the lower end of the market."

This is not to say that a Sid calling on Smith Keen with 200 shares to sell will be thrown out on his ear, but he is likely to be re-directed politely to the parent bank's branch network, which will clear his deal through a separate in-house broking operation called Midland Stockbrokers.

If he knew how much it cost to deal through Smith Keen nowadays, he would probably need little prompting. The firm's rate of commission is 2 per cent on the first £4,000 with a minimum fee of £35, both figures significantly above the norm for regional brokers.

The reason for this is that Smith Keen's service is a hybrid between discretionary and advisory: most clients give the firm some discretion over their portfolio but they also expect (and receive) consultations, meetings and regular valuations of their portfolios while being charged only on commission.

"If you want a professional service and a professional fund manager to look after your portfolio, you are going to have to pay a bit more than just the cost of carrying out your transaction," says Fenton.

A visible indication of Smith Keen's re-orientation is likely early in the new year when its Share Shop in the Midland Bank's Birmingham New Street branch, opened in 1986, is obliged to move while the branch is refurbished. The shop has done badly since the crash and its image is out of kilter with Smith Keen's move up-market.

Permanent closure is unlikely, but its running probably will be transferred unceremoniously to the bank's Midland Stockbrokers operation.

Secrecy reigns

LONG AFTER its competitors, General Accident Life – the life assurance arm of the major composite insurance conglomerate, General Accident Group – has decided to move into unit trusts although details remain surrounded by secrecy.

When GA Life broke the news at the end of last month, it did not say anything about the trusts it would be launching, its pricing system, or its charges. This information is expected to be revealed some time in January.

Meanwhile, Des Waddington, GA Life's unit trust specialist, has disclosed that Edinburgh Fund Managers (EFM), which already manages GA Life's unit-linked funds, has been appointed investment managers for the unit trusts. EFM, one of the independent Scottish investment houses, already has its own stable of unit trusts with a proven investment record.

Waddington also says that the marketing and sales strategy will be simplicity and low risk, aiming at the over-35s who have little or no experience of investing in the stock market - suggesting more than a little element of *deja vu*.

GA Life has been one of the more innovative groups in the motor insurance and estate agency fields. So far, this doesn't seem to have rubbed off into its financial services operations. But the group will have a chance next year to prove otherwise.

Eric Short

Two homes and that CGT trap

MY WIFE and I own two homes jointly: our main residence in Norfolk, where she works, and a flat in London for my son (who is at college) and myself during my working week. We had intended to sell the London flat when my son finishes college so that I can move to a more convenient (and therefore more expensive) area, but the property price boom means that the likely capital gains tax we would have to pay appears to make this almost impossible.

We have few other investments – other than shares in a family business that we have no intention of selling – and so rarely use much of our annual CGT allowance. Is there any way in which the CGT can be carried forward to another property? Is it possible to "bed-and-breakfast" property to utilise our CGT allowance, and how is the building society likely to react?

We have mortgages on both properties and my original intention to switch to just one larger mortgage on our main residence (and thus benefit from a reduced interest rate) is inhibited by the recent Budget changes; we would lose some of the tax relief because part of the mortgage was for repairs rather than purchase. Our total annual income is about £40,000.

■ The answer to your first question is no and the answer to your second question is also no – in practice.

Since it was apparently always contemplated that the flat would be sold (and the Norfolk house be retained), we are a little puzzled that you and your wife appear to have decided not to exercise your joint right to give notice that the flat should be treated as your main residence for CGT purposes (as distinct from MIRAS purposes) under section 101 (6) (a) of the Capital Gains Tax Act 1979, as explained briefly in the free Inland Revenue pamphlet CGT4 (Owner-occupied houses). Did you not discuss this point with the solicitor who acted for you in the purchase?

If by chance you have been living in either property for less than two years, of course, it is not too late to put in a section 101 (6) (a) notice – which will solve your problem.

As the solicitor who acts for you in the sale of the flat will explain, you can give a further notice on the day of the sale contract, requiring the Norfolk house to be treated as your joint main residence with two years' retrospective effect. This will minimise the potential CGT liability upon any eventual sale of the Norfolk house.

Pension plan blow

MY SOLE income is from rents received from properties which I have bought and converted to flats over a period of about six years.

Four years ago, I took out a private pension; recently, a representative from the company came to persuade me to increase it. But upon learning that all my income is classed as unearned, he told me that I could not legally have a private pension.

Am I entitled to all my premiums back and if so should I receive interest?

How can I have my earnings classed in such a way as to enable me to have a private pension with the benefit of tax relief?

I have appealed to the Revenue and pointed out the amount of work which I undertake in the maintenance and renovation of newly-acquired properties, but to no avail.

■ Whatever the merits of your case in equity, the rules for tax relief on self-employed pension contributions are specific. They must relate to income arising from gainful professional activity or employment and this cannot be extended to cover investment income, whether such investment income arises from property investments, stock exchange securities or other.

As to whether you can persuade the insurance company to refund your £40 a month that you have paid in error, this is likely to be a matter of goodwill on their part. Most insurance companies take the view that it is the responsibility of the premium payer to satisfy himself as to the existence of the required Schedule D income needed to qualify for tax exemption on the premiums paid. It would be difficult for them to do otherwise.

However, the insurance company representative who was responsible in the first place for ascertaining his client's needs and circumstances, in order to give best advice, would normally have been expected to ask searching questions about the nature of your self-employed income. The insurance company could argue that it has incurred the costs of putting a policy on its books and could well have paid out commission, and this might influence its attitude towards you if the policy is treated as void and no further premiums are paid.

Q&A

BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Restrictive covenants

MY DETACHED house was built during the 1930s and the deeds of the house contain certain restrictive covenants.

I was unaware of this fact until recently, when my neighbour brought these covenants to my attention when I was replacing an old and rotted rustic fence with a closeboard one near the top of my garden. The covenants forbid closeboard fencing beyond a point 10ft from the rear wall of the house, and they contain references to materials such as corrugated iron. They are, therefore, obviously out of date.

However, do I ignore them at my peril; do they become ineffective after a certain number of years; or can I somehow have them removed from the deeds?

■ You certainly should not ignore the covenants; they do not lapse with the passing of time. But unless you are the original purchaser of the house, the covenants will be unenforceable unless they were registered in the Land Charges Registry (searches will have been made to establish this when you bought the house). If registered, the covenants bind you and you cannot get rid of them. They may even enhance the value of your property if there is a "building scheme" of identical or similar covenants affecting all the houses in a defined area.

Food for thought

SOME TIME ago, the owners of a neighbouring house in the country applied to turn part of it into a licensed restaurant. We and others – including the local council – objected and the matter went to the Department of the Environment which, on appeal, said the house and its approaches were quite unsuitable for any such commercial use.

Now, the owner has applied again. Can he, in view of the previous flat rejection, go on applying for ever in the hope he can sneak it through? Also, in view of the previous objections, can we now cite these in a bid to quash the new appeal? Is there any way we can end the constant threat?

■ Under the provisions of planning law, there is nothing to stop a person making any number of applications for planning permission. It costs money to do so, but that is the only deterrent. Unfortunately, there is no remedy for the anxiety this might cause you as a neighbour.

Payments pressure

I MAKE REGULAR monthly payments through bank standing orders for bills such as rates, water, gas, electricity etc, but am coming under increasing pressure to switch to direct debit payments. I prefer to keep total control over the money taken from my bank account and wish to retain my standing orders. Can I be forced to make the change to direct debit?

I believe that there was a court case earlier this year which decided in favour of the householder on the grounds that, as long as he made the required payments, the choice of method was up to him. Is this correct and can you please provide the court reference?

■ No, you cannot be made to use the direct debit system. The principle is so fundamental that you need no authority for the proposition. We are not aware of the particular case which you have in mind.

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Wheels and deals in thriving Fiatland

Alan Friedman introduces a special report on a thriving Italian region ... from the House of Savoy to the House of Agnelli

SITUATED IN in the fertile Po plain and running up into the Alps at the northwest corner of the Italian peninsular, Piedmont is one of Italy's most heavily industrialised and prosperous regions. Together with neighbouring Lombardy and Liguria, Piedmont forms the traditional "industrial triangle" that includes the manufacturing centres in and around Milan, Turin and Genoa.

Although there are stark socio-economic contrasts to be seen in the Piedmontese capital of Turin, the region's 4.4 m inhabitants enjoy a per capita income that is nearly twice the national average. The 9.4 per cent level of unemployment (as of December 31, 1987) in Piedmont compares with a 12 per cent national average. Piedmontese industry, meanwhile, accounts for more than 14 per cent of all Italian exports.

These raw statistics tell only part of the story, however. Piedmont is the home of Cavour, of the great 19th century drive for Italy's unification, of the once-grand House of Savoy and today ,of course, of the House of Agnelli, which like a latter-day royal family sits atop the Fiat empire, Italy's biggest private sector conglomerate.

The Piedmontese are different from many other Italians – they influenced and for a time governed the political destiny of the nation and in some ways they consider themselves a superior race. Old Senator Giovanni Agnelli, one of the founders of Fiat, used to refer to non-Piedmontese Italians as "those Italians". Closed, diffident and conservative, the Piedmontese have a regimental spirit and a middle-European work ethic. On the other hand the relative prosperity of the region and its proximity to the Alps means that the local lifestyle, even among many workers, includes handy nearby ski-ing and good cuisine. The presence of immigrants who came in the 1950s and 1960s from the impoverished South to work at Fiat factories has created social tensions which are described in a profile of Turin contained in this report.

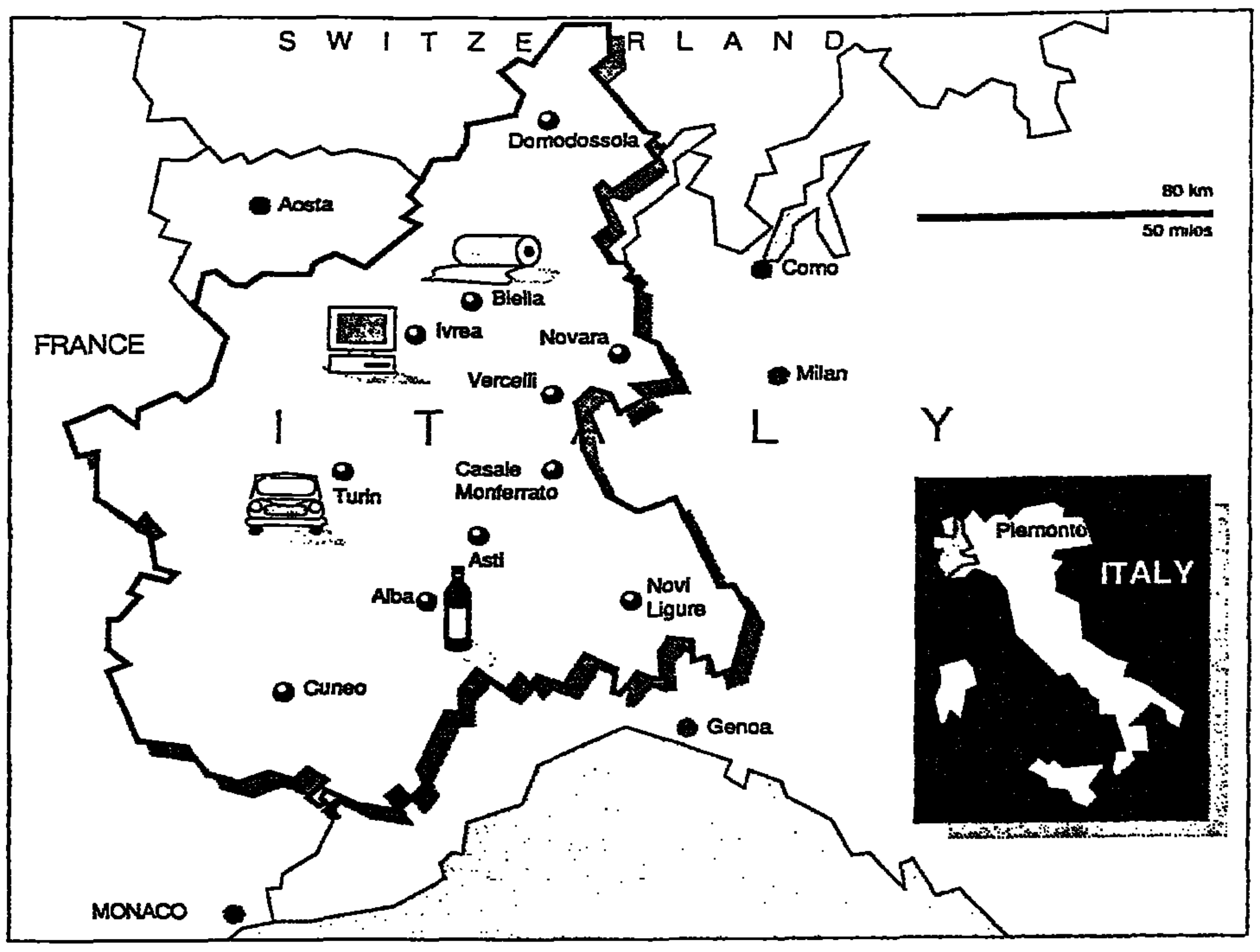
Piedmont, like Lombardy, began its own pattern of industrial development much earlier than the rest of Italy. While the bulk of modern Italian industry grew up in the post-war years the experience in Piedmont dates back to the turn of the century. The biggest employer by far in Piedmont is the Fiat group of Turin, but Olivetti has its world headquarters just a 30 minute drive away, in Ivrea. Other big names in Piedmontese industry include Italgas, Burgo, RIV-SKF, Unicem, Pininfarina and Giugiaro. But Piedmont is not merely big industry – the large manufacturing groups are supported by a lattice-like network of small precision engineering firms and component makers in and around Turin. The province of Biella, northeast of Turin, plays host to dozens of small textile firms which produce some of the finest woollen threads used in Italian fashion. And whereas the economic growth of Milan over the past decade has come mainly from the financial, commercial and service sectors, the development process in and around Turin has remained largely industrial. Like Milan and the southern Italian city of Bari, Turin also has a project designed to nurture the growth of a high-technology science park. Turin's version is called Tecnocity.

According to ISTAT, the government statistical office, about 75 per cent of the Piedmontese workforce at the end of 1987 was employed in manufacturing industry, while the next biggest category was commerce, which has spawned jobs for 20 per cent of the working population. Agriculture, which means the cultivation of wines and some rice farming at Vercelli, accounted for less than nine per cent of employment in the region. In banking and finance the giant is the Istituto San Paolo di Torino, whose chairman Professor Gianni Zandano is profiled separately in this report.

Politically speaking, Piedmont's contributions were greatest in an earlier time. The region produced both Cavour in the 19th century and Giolitti, the great Liberal prime minister of the early 20th century. But the stature of Piedmontese politicians in the 1980s is not nearly as notable – two of the best known politicians from the region today are Giovanni Goria, the former Christian Democrat prime minister who preceded current Premier Ciriaco De Mita, and Renato Altissimo, the leader of Italy's Liberal Party.

In cultural terms Piedmont hosts one of the world's most highly respected Egyptian museums in Turin, and just six miles from the city, high upon a hill stands the Basilica di Superga, a masterful church that was built during the first three decades of the 1700s and which contains the tombs of the Savoy kings. Turin itself also has a handful of avant-garde galleries including some that specialise in *Arte Povera*, the contemporary art school that grew up between the late 1960s and early 1970s with the help of local galleries such as Sperone and Christian Stein.

The wines of Piedmont, are recognised as among the best in all of Italy and the most noted reds – including Barolo, Barbaresco, Dolcetto and Grignolino-from the Alba province. The best known white wine, Gavi, comes from the town of the same name, located near the border with Liguria, while former Premier Goria's home town in Piedmont, Asti, is known in the UK for the humbler sweet spumante.



Grand designer . . . Turin's second most famous name

John Wyles looks at the achievements of Pinifarina

PININFARINA IS the second most celebrated name in Turin industry after that of Agnelli, and there should be no surprise that this century the fortunes of the two families have been closely entwined. The Pininfarina company in Turin has designed many successful passenger car models for the Fiat group, and the alliance between them has ensured both prosperity and position for the smaller partner.

Sergio Pininfarina's friendship with Gianni Agnelli, the president of Fiat, goes back decades and the two have come to be regarded as the epitome of the old industrial establishment in Italy, tied as they are by birthplace, shared values and Mediobanca (the merchant bank which owns 3.64 per cent of Pininfarina's company and has a stake in most others of importance).

When he became President of Confindustria in March of this year, Pininfarina was inevitably labelled as the Fiat man at the top of Italy's main business organisation. This is a little too hard on the 62-year-old designer who is certainly his own man, even if his views are not much distant from those of Gianni Agnelli.

At Confindustria, Pininfarina can certainly enjoy his taste for the public platform – until this year his membership of the Liberal group of the European Parliament was his principal political activity. But once he was elected as the top representative of Italian industry, he felt bound, with genuine regret, to resign his seat at Strasbourg.

In recent years, his role in the company has been increasingly that of the chief conductor, leaving his three children, Lorenza, Andrea and Paolo,to fill positions of major responsibility. This is the way the question of succession in family controlled companies tends to be addressed in Italy, although Sergio has been reported as saying that he believes he is integrating his three children into the business rather more smoothly than he was brought in by his father - the legendary Battista "Pinin" Farina.

Sergio was given a senior executive position in 1961 and became president in 1966, since when he has successfully built on the company's already strong reputation for car design. Its list of successes includes the Fiat 1100 coupe of the late 1950s, the Alfa Romeo Giulietta sports car, the Dino Ferrari and more recently, several Peugeot models, the Alfa 164 and the Ferrari 412. But Sergio has also taken the company heavily into car body manufacturing.

He has built a plant at Grugliasco near Turin with a capacity of up to 25,000 body shells a year which is producing for Ferrari, the Peugeot 205 and the celebrated Allante - the troubled joint venture with Cadillac.

In prospect, this had seemed to be a very promising arrangement, but the US market has not taken the Allante to its heart, and plans to ship 8,000 bodies a year fromm Turin to the US have been cutback by two thirds.

This will have a painful impact on revenues which last year leaped from L240bn in 1985 to L360. Earlier this year, the company was setting a revenues target of L300bn for this year and was uncertain whether it could match 1987's net profit of L7.5bn. The Allante's stumbling has tended to highlight Pininfarina's dependence on two or three major customers - specifically 48 per cent of its turnover comes from Fiat, 41 per cent from General Motors and 9 per cent from Peugeot.

After the awful decade, the high-tech revolution

John Wyles reports from Turin and explains what happens when a one-company town comes to terms with the future

STANDING NEAR various mountainous doorways into Italy, Turin tends to be a city that travellers bypass on their way to the glories of Venice or the antiquities of Florence and Rome. This is perfectly fine for most Torinese who, while far from unwelcoming, prefer to keep themselves to themselves.

They have a reserve, a sense of superiority which encourages some to compare themselves to the English. "I feel that I have entered a foreign country every time I come here," said one Neapolitan by birth who is prominent in the city's life.

Certainly, the centre of the city looks different from most others in Italy with its very smart, elegant and expensive arcaded shopping around Piazza San Carlo. Throughout the old city centre, louvred shuttered windows and iron balconies hark back to the France from which Turin took many of its cultural and political references a couple of hundred years ago.

Then, the city was capital of Savoy and later, very briefly, it was the first capital of unified Italy until the Royal Family and the parliament moved first to Florence and then to Rome. This was a very nasty blow to the local economy which endured for more than 30 years as the city struggled for a new role. The resentment may have lingered even longer, stimulated by the sight of that splendid, but unused, Royal Palace.

But early in this century Turin discovered an industrial vocation which rapidly became built around the fortunes of one group, Fiat. It remained until the 1970s essentially a one-company town whose social flavour, however, was transformed by the wave of post-war immigration which added 500,000 to the population of metropolitan Turin between early 1950s and the end of the 1960s. The resulting social tensions between the old Torinese, secure in their sense of identity, and the newcomers, predominantly southern, predominantly of a rural background and predominantly undereducated were a dry tinder.

Ignition in the 1970s came from extremely determined rank and file trade unionism in Turin , and the even more distressing phenomenon of left-wing terrorism in the city. Fiat managers were among the most favoured targets.

But change comes rapidly in Italy, and even the Torinese of ancient lineage marvel at the speed with which the city has shed the characteristics of that awful decade. "Ten years ago, the city seemed finished," said Professor Luciano Gallino who teaches sociology at Turin's university."Those terrible years of terrorism; Fiat seemed to be in decline and there was chaos in other industries. Since then, however, we have acquired a new technological base, we are Italy's capital of robotics and artificial intelligence with dozens of high technology companies in the triangle between Turin, Ivrea and Novara."

Dinner tables will be enhanced when Tamietto's hopes are realised. Turin now is several vertebrae in the vital backbone of the Italian economy. Nearly 40 per cent of the population of metropolitan Turin is employed in manufacturing industry which produces around 30 per cent of the added value of all Italian industry. Companies such as Fata, Rambaudi and Frigostamp have high reputations for developing high technology while Italy's five leading companies in electronic automation are based in Turin.

At the same time, around 8,000 new companies a year are born in Turin - about 9 per cent of the existing stock against a company mortality rate of 5 per cent of stock. The most fertile sectors appear to electric and electronic equipment, office machinery and precision engineering.

Such developments are certainly diversifying the city's sense of its own identity, even if it is popularly associated in the outside world with a single name. Though Fiat now has production plants dotted around the Italian peninsular and employs many fewer people in Turin than it once did, it still tends to divide the city. Many left-wingers, be they intelllectuals or assembly line workers, will not read *La Stampa*, the city's excellent newspaper with a national distribution, because it is owned by Fiat.

Nonetheless, ambiguous attitudes towards Italy's largest private sector group are by no means confined to Turin: throughout the country there is admiration and pride for its spectacular recovery this decade which is embodied in the great popular esteem and affection for Fiat's president, Gianni Agnelli – the embodiment of high Turin style.

But there is also an element of mistrust and anxiety about the extent of Fiat's economic, political and social power and this beams on to the person and activities of Cesare Romiti, Fiat's all-powerful managing director who has just added the top job at Fiat Auto to his quiver of power. In Turin itself, the company makes an important contribution to the city's cultural events and to the development of its technological capacitiess, and it certainly displays more sensitivity towards the city's authorities than it once did.

"Fiat has understood that the time has passed when they controlled the city – they have realised that you discuss things with the city which affect the city, not just decide everything at Fiat," says Maria Magnani Noya, Turin's chain-smoking Socialist mayor. She and her colleagues in the city government are struggling to respond to a challenge Fiat has benevolently offered in the shape of its giant 200,000 sq. metre and now defunct Lingotto works, close to the heart of Turin.

It is already being used as an exhibition centre but the city government is struggling to develop a more ambitious project which takes as its reference point the French government's transformation of the Gare D'Orsay into a lively centre of varied activities.

Public confidence that it will succeed is, however, affected by what is generally held to be a less than impressive record of city government in Turin. But many Torinese feel they are not better governed than many a city in the Mezzogiorno where the political class is often found to be lacking.

"The decision-making system has been blocked for 30-40 years," says Gallino which, as he points out, is about the time the city council has been trying to agree on plans to construct an underground railway system. Turin's nomination as a host centre for World Cup 1990 soccer matches seemed to be offering an incentive – strengthened by special government grants – at least to make a start by linking the centre with the Juventus football ground. At the time of writing, the council is flirting with a crisis over the issue which could cause the collapse of the executive.

The causes of this political weakness are said to be manifold, ranging from the no better than average quality of local politicians, which also means weak representation in Rome, to poor communication and weak linkage between the economic and industrial elite and the political world. This is a subject upon which the fearsome Magnani Noya is somewhat sensitive. Certainly she has no problem in citing a sports stadium, a new law courts and the reconstruction of the gallery of modern art as evidence that the politicians do manage to get some things done.

It is an open question as to how many Torinese will be around to enjoy improved facilities in the 1990s and beyond. In the first half of this decade, spurred no doubt by recession and the axeing of 20,000 or more jobs at Fiat, the city's population declined at a much faster rate than any other of its Italian counterparts. Its residents in 1986 totalled 1.035m, about the same number that lived there in 1961. The population of the broader metropolitan area has fallen from 1.854m in 1981 to 1.787m in 1986.

Many of those who have been leaving are the "new Torinese" of southern background who have found the city climatically and socially too cold and have sought job opportunities elsewhere. Employment in the metropolitan area has dropped by 2.2 per cent since 1963 and by 20 per cent within the city

Which is part of the reason why, notwithstanding blemishes such as the ugly, poor quality apartment blocks on its periphery, a growing drugs problem and an extraordinary and well documented taste among its citizens for black magic and satanic crafts, Turin is a city of good living.

The unknown and unsung challenge the leaders

David Lane in the world of drive axles and gearboxes

"THERE ARE enough machine tools for everyone in the company to have his own, including the chairman and his secretary," says Sergio Rossi. Rossi is proud of the high level of mechanisation and automation at the company of which he is the principal shareholder, and which he has headed since 1986.

Rossi describes Graziano Trasmissioni, the parent company of a group of three, as unknown and unsung. It is a not a name which leaps to mind as a leader in Italian engineering. Yet during the past two years this Piedmont company has started to worry the West German firms which had become accustomed to supremacy in the market for transmission systems for industrial vehicles.

"Transmission is fundamental — with the engine it forms the heart of the vehicle," says Rossi, focusing the spotlight on the crucial role played by the company's products. Vehicles would be immobile without their drive axles, differentials, reduction and transfer gearboxes, synchronisers or steering gears.

With six factories in the region and none beyond regional boundaries, Graziano Trasmissioni is thoroughly Piedmontese. Though its first production plant was in the city of Turin, it is now outside with three factories in Turin Cuneo province to the south.

"Operating at several sites prevents us from optimising production and exploiting economies of scale. But it allows greater flexibility," says Pietro Sartorelli, Graziano Trasmissioni's managing director, who has been with the company since the mid-1970s.

During this period the workforce has doubled from about 500 to over 1000 and new factories have been brought into production at Cervere, Luserna San Giovanni and Rivoli. "No plant employs more than 250 workers, a human scale and manageable size." Graziano Trasmissioni's factory is an important local feature in all six towns," says Sartorelli.

Since Rossi's arrival, the company's workers have felt strong winds of change. The chairman's vigour belies his pensionable age. At Graziano Trasmissioni he has shown no *shortage of breath or the ideas* and energy which earned him the title of Cavaliere del Lavoro, Italy's top award for businessmen, in 1974.

The tandem of veteran chairman and young managing director with considerable knowledge of the sector has combined to give the company a change of strategic direction. Rossi and Sartorelli have been working on a radical shift to Graziano Trasmissioni's product-market mix.

"This year sales to the Fiat Group will be only 45 per cent of the total," says Sartorelli. Dependence on Fiat's tractor and earthmoving equipment subsidiaries has been halved in two years. "Over-reliance on one customer is unhealthy, and even customers now recognise this," he says.

"Graziano Trasmissioni was not realising its potential. Opportunities were left unexploited," says the company's managing director. He admits, however, that the experience gained in supplying Fiat was a key factor in successful diversification. "Fiat was a passport which allowed us to branch out into export markets," says Sartorelli.

The company's half-year management accounts illustrate the results achieved in market diversification. JCB in Britain, Case Poclain, Renault and Massey Ferguson in France and John Deere in West Germany are now major purchasers of transmission units from Graziano Trasmissioni. "About 45 per cent of this year's turnover will come from exports," Rossi says.

Growing sales to foreign customers have allowed the company to pass the important milestone of L100bn turnover *this year. "We are on target to* reach total sales of L130 bn. This is 50 per cent higher than 1987's turnover of L94bn, says accountant Marco Rossi.

Moreover, Graziano Trasmissioni's bottom line result should resoundingly confirm the consistent record of profitability since it started business in 1951. By the end of August net profits for the current year had reached L5bn, double the result achieved in the whole of 1987.

Financial soundness has played an important part in supporting growth and permitting diversification. Major efforts were made last year when investment in new machinery and in research and development amounted to L20bn. During the current year investment expenditure will be about L10bn, and a similar sum is budgeted for 1989.

The sharp increase in expenditure which took research and development from about 6 per cent of turnover during the early 1980s to over 9 per cent in 1986 enabled Graziano Trasmissioni to reshape its business. Sales of units and items designed and developed in-house have moved strongly ahead from around 20 per cent of sales to 45 per cent this year. Sartorelli expects this trend will continue. "Our clients are directing resources towards their products and sales networks, leaving the design and production of transmission systems to specialist suppliers," he says.

Consequently, Sartorelli also expects that the company will increasingly manufacture complete transmission systems rather than simply sub-assemblies and components. Complete systems now account for about 45 per cent of production at Graziano Trasmissioni, compared to 24 per cent two years ago and 12 per cent in 1983.

"Already the company can supply the whole drive line, engine-to-wheels, for some *industrial vehicles. This capability* will be boosted. We are also studying entry into niche markets like city buses, axles first and eventually gearboxes." Sartorelli adds that the company must avoid being stationary.

Making systems for vehicles which will encounter hard use in tough conditions, whether buses struggling through peak hour traffic jams or giant earthmovers working in rugged terrain and extreme temperatures, places a premium on reliability. "Penalties are severe for systems or sub-assemblies which fail to meet specifications," Sartorelli says.

Rossi says: "Graziano Trasmissioni is definitely a precision engineering firm. Men and machines must work to the tightest tolerances. This is why we have made high investment in production technologies like thermal deburring units, full-form broaching of internal ring gears and electronic beam welding for crown wheels."

Extensive use of numerical controls, electronic monitoring and computerised centres for dimensional checks aids the quality process. Indeed, emphasis on quality is a basic element of working practice. The rejection rate is only three per thousand, but even this is too high, says Rossi. How many staff are engaged in quality control? "Every worker is responsible for quality," he says.

How the big shake-up has paid off

David Lane reports on optimism

THOUGH THEY may disagree over the cost of money and the efficiency of banking services, Piedmont's industrialists and bankers see eye to eye on the state of health of the region's industry. Manufacturing is flourishing in Italy's north west corner.

"I consider that the present situation is extremely positive and am optimistic about the future," says Gianni Zandano, chairman of Istituto Bancario San Paolo di Torino, the region's biggest bank.

"Piedmont made large sacrifices and paid a high price to restructure in the 1980s. But the cure has been effective, leaving industry strong and firmly on an upward trend," says Pietro Terna, secretary of Piedmont's industrialists' association.

Zandano believes that three features characterise the *region's industry.*

Dependence on large groups has been broken. Today the region is a European centre for automobile components, precision engineering, electronics and high quality textiles, he says. Diversification has brought robustness to a situation which was fragile from the excessive reliance of businesses on single customers or few products.

Internationalisation is the second feature which distinguishes Piedmont's industry in the late 1980s. The figures given by Istituto Bancario San Paolo di Torino spotlight the export awareness of the region's manufacturers. "Piedmont's industrial sector produces 14 per cent of total Italian exports, with one half of regional output being sold in foreign markets," says Zandano, San Paolo's chairman. In addition, the proportion of companies with investments abroad is the largest of any Italian region.

High levels of applied research is the third feature to which Zandano points, noting that this is crucial to competitivity on world markets. "It is significant that the number of industrial patents registered by Piedmont industry with the European patents office in Munich is on a par with Europe's most advanced regions, like the Ruhr basin, the Ile de France and south-east England," he says.

Clearly, industrial performance is booming and confidence is soaring. Yet at the start of the decade the situation was bleak. Only six years ago, in the third quarter of 1982, the region's composite index of economic activity was plumbing the depths of recession.

Terna says: "The gravity of the situation in the early 1980s showed in unemployment. Piedmont was hit badly, especially the region's young people. Migration from the south in the 1950s and 1960s and the baby boom in the 1960s created the large pool of young labour whose job hopes were dashed by the 1980s crisis."

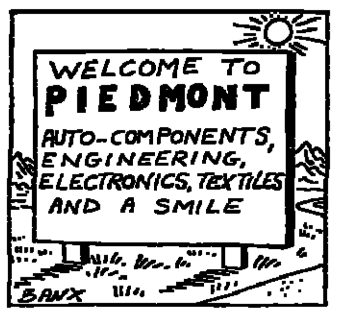
But demography was not the only factor to blame for Piedmont's unemployment. "Industry urgently needed to rationalise production processes. Automation inevitably meant that jobs were lost. Moreover, there has been a radical change in workers' attitudes.

"Cuneo is by far the most prosperous of Piedmont's three southern provinces. The two provinces are closer to central Italy in terms of income."

Absenteeism was reducing effective levels of workforces in Piedmont's factories by 15 per cent during the 1970s. With absenteeism now below 5 per cent, factories can reach the same levels of production employing 10 per cent fewer workers.

However, unemployment has fallen over the past two years, particularly during 1988. "The *'contratto formazione del lavoro'* has encouraged firms to employ youngsters," says Terna, referring to Italy's work training scheme. "It has given a boost to the labour market."

Piedmont's industrialists want to maximise flexibility. "Requirements for skills change. It is no longer possible to train a school-leaver with a skill for life," says Terna. Mobility of labour between skills would help the region to deal with shortages of manpower which are now appearing in some areas.



The labour shake-out has reduced the number of industrial jobs in Piedmont by about 20 per cent from the 1980 level of 760,000. Most of the slimming was in traditional sectors like textiles, chemicals, engineering and transport. And many jobs which disappeared were those with big employers such as Fiat and Olivetti.

The weight of the big employers in the region has declined. Fiat now provides about one fifth of Turin's industrial jobs, compared with one quarter in the early 1980s. The satellite businesses which have sprung up alongside the automobile company are, however, collectively an important provider of jobs. "Fiat exerts a great external impact," says Terna.

After Fiat, Olivetti probably ranks as Piedmont's best known industrial company. In the Canavese area around Ivrea, Olivetti's headquarters town about 50 kilometres north east of Turin, the office automation company has fostered a dynamic industrial reality. A large number of small electronics firms have been established, initially supplying Olivetti but then diversifying.

When Piedmont's large manufacturers modernised and reorganised to deal with the crisis, the shake-up rippled to smaller concerns. A parallel process occurred in which small manufacturing concerns automated, turning to electronics and robotisation to remain competitive.

It would be mistaken to view Piedmont's industry through the narrow lens of manufacturing in Turin. The region's capital is heavily industrialised with a widely diversified base, food and textiles as well as vehicles and rubber. But Cuneo province to the south also has a broad spectrum of manufacturing.

"The food sector is very important in Cuneo," says Terna, noting that Ferrero, a major confectionery company is based in the city. "Cuneo has a flourishing economy. There is little old industry. Textiles, rubber and engineering are in the forefront. A factor which contributes to wealth in the province is the way that local people are able to mix work on farms with employment in factories."

Of the three northern provinces (Turin, Novara and Vercelli), Novara has undergone the most profound changes. Terna describes Verbano, the northern part, as an industrial area which is no longer industrial. The fibres industry has gone and, with the nationalisation of electricity generation and increase in tariffs, the steel industry vanished in the 1960s and 1970s when about 15,000 industrial jobs disappeared.

Yet Novara as a whole ranks among the richest provinces in Italy, thanks to food, textiles, chemicals and engineering industries in the province's southern part. Its closeness to Milan also represents a valuable association for Novara.

Vercelli also divides north-south. In the Biella valley the textile makers adopted a far-seeing strategy in the 1970s when they opted for up-market products.

Indeed, in the southern part of Vercelli province, near the city, the chemicals fibres industry disappeared in the worldwide fibres crisis. But this part of the province reveals one of the great surprises for foreign visitors. Vercelli is Italy's rice capital. To the unknowing tourist the paddy fields can easily be mistaken for flooding.

Better known are the products from the vineyards of Asti and Cuneo, whose wines of repute include Barolo, Barbera and Dolcetto.

Like the region's industry, agriculture has been experiencing a period of profound change. The workforce has dropped significantly, though at about 170,000 workers it still accounts for 9 per cent of Piedmont's total. "Agriculture is facing serious difficulties, associated mainly with surplus production. Restructuring is needed to reduce quantities and raise quality," says Tametto.

Piedmont's manufacturing industry appears to have been successful in adapting to the late 1980s. But achieving an agrarian shake-out will probably take longer. Emphasis on quality and the demands of the market has been a feature of industrial change in the region.

A banker and an academic

Professor Gianni Zandano, Piedmont's top banker

THE MOST important bank in Piedmont — the Istituto Bancario San Paolo di Torino — is also one of the largest, most profitable and best-managed financial institutions in all of Italy. Its chairman is the Turin-born, 54-year-old Professor Gianni Zandano, a Yale-educated Italian banker who has helped to pilot a substantial expansion programme at the San Paolo group since being appointed in 1983.

The 425-year-old Istituto San Paolo is juridically a "public interest institution" which means that its relationship with the Italian Treasury is roughly comparable to the traditional rapport between Britain's Trustee Savings Bank and the Exchequer. As a public bank, however, its chairman tends to be a political appointment. The cosmopolitan Prof Zandano is thus linked in the minds of Rome politicians to the Christian Democrat party of Prime Minister Ciriaco De Mita, just as Nerio Nesi, the chairman of Banca Nazionale del Lavoro in Rome, is a Socialist appointee. But Zandano is a banker and academic rather than a politician.

A graduate in political science from the University of Turin, Zandano spent the early 1960s at Yale, taking first an MA and then a doctorate in economics. His tutor was James Tobin. Upon his return to Italy in 1965 he taught economics, starting at the University of Modena, then teaching at Siena, Turin and Rome. In 1983 he was named to chair San Paolo. Married, with three children, he lives in a modest *villetta* in the hills of Turin. He is an avid horseman and during the winter months a frequenter of the ski slopes of nearby the Val d'Aosta.

Unlike many of his more politicised colleagues in public banks, however, Gianni Zandano is an inactive Christian Democrat, not a card carrier so much as a sympathiser. And from his panelled offices in San Paolo's plush 17th century headquarters in Turin's Piazza San Carlo, Zandano has produced a record that would be worthy of any professional banker in London, Frankfurt or Paris.

In his time at San Paolo Zandano has embarked upon an ambitious programme of acquisitions and joint ventures — he has also steered the bank into Italy's evolving financial services and mutual funds sector. San Paolo had already made acquisitions in 1977 (the Como-based Banco Lariano), 1980 (the Banca Popolare dell'Agricoltura in Agrigento, Sicily), 1982 (The First Los Angeles Bank). In 1984, however, Zandano engineered a quantum leap when he gained approval from the Bank of Italy to acquire, for $270 m, the Bergamo-based Banca Provinciale Lombarda. This takeover added 140 branches in the prosperous region of Lombardy, with key operations in the industrially successful provinces of Brescia, Cremona, Mantova and Pavia. San Paolo, whose primary strength was previously in Piedmont, has begun broadening its national geographic horizons.

Zandano was also keen to acquire small banks in other European countries such as the purchase of Bankhaus Brunell und Kallmus in Austria. The idea here was not to try and create a Europe-wide network, but to establish "listening posts" in nations that have traditionally had trading ties with Italy. Indeed, in the field of trade finance San Paolo has become Italy's leading bank, with trade-related lending that amounts to more than a quarter of the bank's total outstanding advances.

San Paolo has also grown considerably in recent years in the Euromarkets. The Turin-based bank is one of Europe's leading players in European Currency Unit (ECU) sector, as an underwriter and lead-manager of ECU bonds and as a pioneer in ECU credit instruments. For example, San Paolo in 1986 launched the first ECU-denominated commercial paper issue in the US. San Paolo also became the first institution to launch a Eurolira bond issue when that market began.

Zandano's most important strategic thrust, however, has been his development of close shareholding and joint venture ties with Hambros, the UK merchant bank. In 1987 San Paolo bought a 6.5 per cent equity stake in Hambros and the boards of both institutions have co-opted each other's executives. Charles Hambro came to Milan a few weeks ago to launch two new San Paolo-Hambros joint venture mutual funds and at the time Zandano let it be known that he is hoping to raise the San Paolo stake in Hambros shortly. The likely increase will be to around the 10 per cent mark. Meanwhile, the Turin and London banks are beginning to cooperate in mergers and acquisitions business and other areas of Anglo-Italian finance.

Zandano has also been an enthusiastic supporter of the new financial services market in Italy. San Paolo Invest, a financial services subsidiary, was formed in 1986 and is now among the emerging players on the Italian scene and the San Paolo group's 650 branches are an ideal distribution network beyond the network of sales agents at San Paolo Invest. San Paolo Finance, meanwhile, is a new merchant banking arm of the group which is among the most active institutions in Italy in the still nascent sector of leveraged management buy-outs.

Zandano's own mandate as chairman of Istituto San Paolo has formally expired and so he is living on borrowed time until the politicians in Rome sit down to carve up the pie of major bank appointments. But his own post looks more secure than others and he is likely to have the backing of Prime Minister De Mita when the time comes, a not inconsequential advantage.

Assuming he is reappointed, Zandano's next challenge will probably come from his desire to make use of San Paolo's sizeable liquidity (it is among the best capitalised banks in Italy). The Bank of Italy is keen that "wealthy" banks such as San Paolo contribute to the rationalisation of the Italian system by acquiring smaller institutions and thus both eliminating duplication and prodding a more competitive atmosphere. This could take San Paolo far away from its Piedmontese roots and down along the Italian peninsular. And given the fact that San Paolo is among the most active banks in the system, that can only augur well for the bank and the system at large.

Alan Friedman

A helping hand for the visitor

A SUMMARY of information for overseas visitors to Piedmont:

Climate: Piedmont has three different climates as it includes the Alps, the hills of Turin and the Po valley. The mountainous areas are cool in summer and freezing in winter; the city of Turin and surrounding hills are temperate, warm in summer and fairly cold in winter. The Po plain is very hot in summer and cold in winter.

Entry Requirements: Visa not required for nationals from most European countries or from the United States.

Air access: There is one airport in Piedmont, Turin's Caselle. Traffic is predominantly domestic, but there are a few European flights. Travellers from the US or Japan must fly to Milan's Malpensa airport.

Hotels: In Turin the leading hotels are the Jolly Principi di Piemonte, the Turin Palace and the Jolly Hotel Ligure.

Restaurants: In Turin the leading restaurants are the Del Cambio, Thfmany, Gatto Nero and Vecchio Lanterna. Outside of Turin the Villa Sassi-El Toula is recommended. At these restaurants the price of a meal for two, with bottle of house wine runs between L100,000 and L140,000. Restaurants are open at lunch from 1230 and in the evening from 1930.

Currency: The lira. The rate is currently around 2,300 lire to the pound sterling or 1,275 to the US dollar.

Car hire: Widely available. Daily rate, around L120,000 for a small car with unlimited mileage.

Speed limits: As in the rest of Italy 130 km on the motorway except for public holidays when the limit is 110 km.

Public holidays: January,1 January 6, April,4, May 1 June 2, August 15, November 1, December 8, 25 and 26.

Working hours: business — Monday to Friday, usually 0830-1700.

Shops: Monday to Saturday, 0900-1300 and then 1530-1930.

Banking hours: Monday to Friday, 0830-1330 and 1445-1545.

Telephone: To reach Italy dial international code plus 39. City code is 011.

Electricity Supply: 220v.

Emanuela Minnai

MOTORING

Sporty Audi keeps its cool in the snow

***Stuart Marshall** tries a trio of coupés in varying weather conditions and finds all of them agreeable*

ONE OF the rules of car buying is that you always pay more for less for a coupé. In exchange for sporty styling and a higher price than a comparable saloon, you find the rear seats are usually pokey, the boot often smaller and the two doors larger and less manageable than four.

The three coupés at which I am looking this week are from the lower, medium and top price ranges: the Nissan Sunny GSX Auto, the new Audi Coupé quattro, and BMW's ageing but eternally youthful 6-Series in its ultimate M635CSi version.

I have been using the Nissan on and off for some time but I drove the BMW for just a few glorious autumn days and the Audi quattro for a morning in the aftermath of last week's blizzard that brought Munich to a standstill. I was lucky to drive it at all.

Our aircraft had been stacked for two hours while the authorities tried vainly to clear the Munich runway. Diverted to Nuremburg, it took five hours in a coach to drive 103 miles (165 kms) to Munich on an ungritted, slush-packed autobahn with not one snow-clearing machine in sight. The city was in chaos.

Next morning, of course, they had got themselves organised. The nightmarish autobahn of 12 hours before was full of *fast-moving traffic* – including my Audi Coupé quattro, cruising at 110-115 mph (177-185 kmh). I could have gone faster but Audi had fitted the 20-strong demonstration fleet overnight with Goodyear Ultra Grip snow tyres, which are speed-limited to 118 mph (190 kmh). That really was German efficiency. The tyres themselves were highly effective, too.

I soon left the autobahn, looking for minor roads still deep in snow. The quattro loved them. There was no need to tip-toe along. On virgin snow, four-wheel drive with a Torsen (torque-sensing) centre differential made the 2.2-litre, five-cylinder, 136-horsepower quattro as sure-footed and easy to handle as a similar two-wheel drive car might have been on wet roads.

The new Coupé quattro feels hard-muscled, with a firmly comfortable ride, excellent control layout and precise power-assisted steering. Anti-lock brakes are standard. With four-wheel drive traction, they are essential for safe progress on slippery surfaces. However, I found the gearshift a bit lumpy.

The hatchbacked Audi has an austere elegance of line and, most unusually, for a coupé, more luggage room than the saloon from which it has been developed. Mind you, it could hardly have less boot space than a normal Audi 80 or 90.

The new Coupé quattro is on sale now at £22,486 while a version with front-wheel drive only is offered at £17,995. A highly-specified quattro with four valves per cylinder and developing 170 horsepower will be added to the Coupé range in the spring at a likely price of £25,500.

How would the BMW M635CSi have fared in snow? From past experience of cars that put nearly 300 horsepower on the road through a pair of ultra-squat tyres, I think it might have had difficulty in moving away from a standstill on level ground. In more reasonable *conditions, though, it* is a magic carpet of a car.

Despite the immense width of the tyres, the ride is more resilient than spine-jarring. The clutch is surprisingly light and a combination of a slick gearshift and ultra-flexible engine makes it as easy to drive in town as it is satisfying *(and at times a bit frustrating)* on open roads.

The price is high at £45,780 but I rate the M635CSi – trimmed beautifully in hide, air-conditioned and full of sensible electronics – a classic in its own time.

The £11,420 GSX Automatic is one of three versions of the Nissan Sunny *Coupé*; the others are a 1.6 manual (£9,225) and a very lively 16-valve at £11,125.

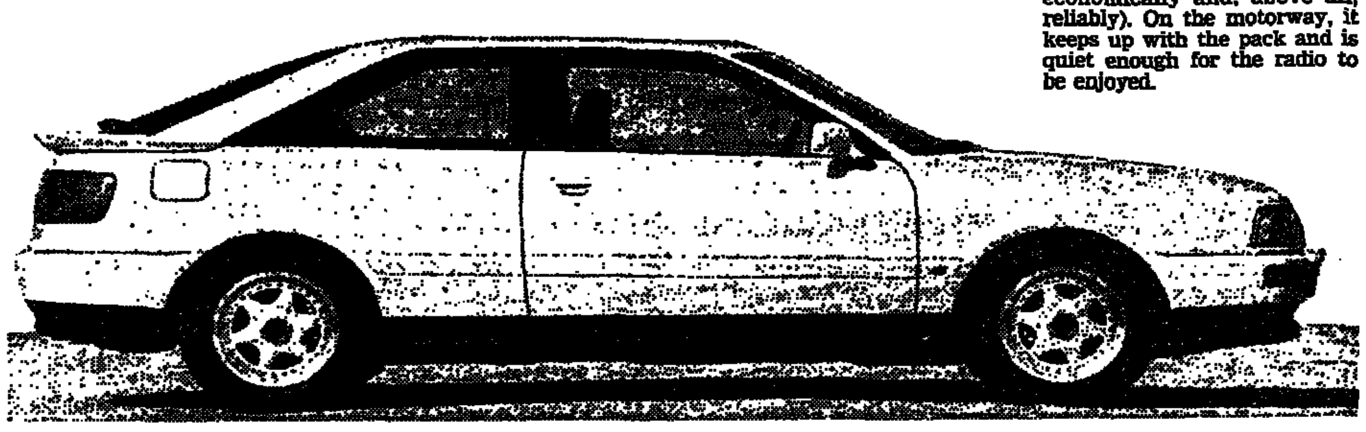
Drivers of the kind who wear out a pair of front tyres in 6,000 miles (10,000 kms) – and they really do exist – would not understand the GSX Automatic at all. They would dismiss it as a sheep in wolf's clothing and I suppose they would be right.

It looks quite sporty but performs like any other 1.6-litre Sunny saloon or hatchback (by which I mean adequately, quite economically and, above all, reliably). On the motorway, it keeps up with the pack and is quiet enough for the radio to be enjoyed.

The automatic transmission works smoothly and the Sunny is not over-eager to live up to its mildly sporting looks by using low and middle more than is necessary for brisk acceleration. This, plus a torque converter lock-up at steady cruising speeds, accounts for the 28-35 mpg (10.09-8.07 litres/100kms) fuel consumption, which I rate not at all bad for a lively two-pedal car.

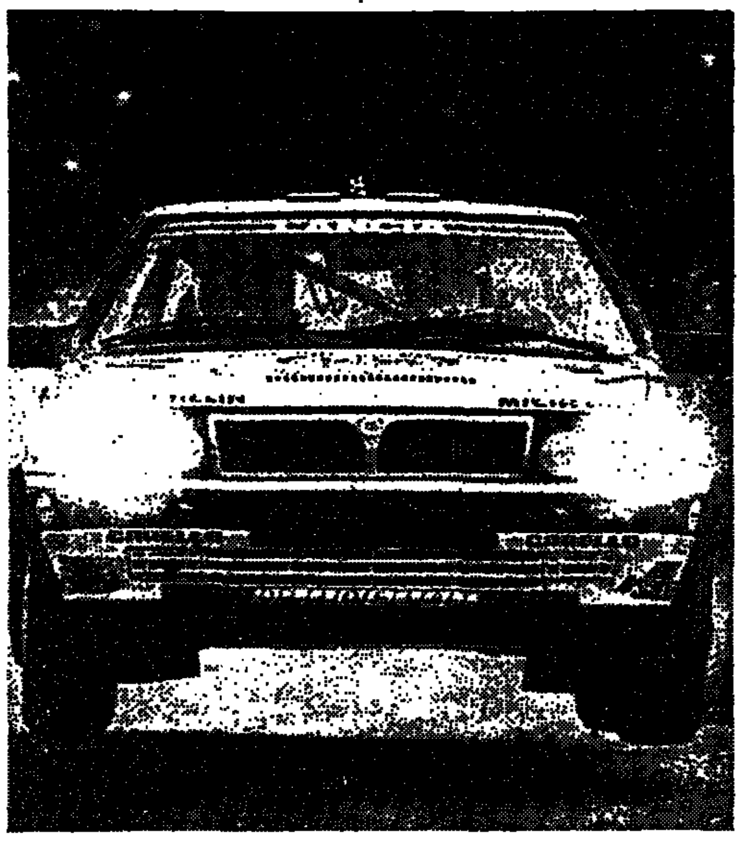
Variable-ratio power-assisted and tilt-adjustable steering is a boon in town, and the front windows and twin exterior mirrors are operated electrically. There is no central locking but the tailgate and fuel flap are both opened from inside the car. There is a high sill over which to lift things but the load space is good and is expanded in a moment by folding down the rear seat backrests.

A glass sunroof relieves the gloom of a dark interior. The seats are firm, the instruments and minor controls typically Japanese (easy to read and precise to work) and the heating/ventilation quick-acting and effective. The Sunny Coupé's worst feature is the thick body pillar behind the seats. It can block visibility embarrassingly at angled road junctions.



The Audi Coupé quattro . . . sure-footed and easy to handle despite the snowy conditions

Rallying comes back to earth – at a price



Lancia's rally-winning Delta Integrale

AT LEAST two of Europe's largest car-makers have disposed of dozens of new, £40,000-plus cars this year in novel fashion – by breaking them up in the absence of buyers. Ford's rival model to these cars has done slightly better. It has taken two years; but all except 15 of the 200 built have been sold, at prices between £50,000 and £53,000.

Peter Ashcroft, Ford's motor sport manager, estimates that the remaining cars will find buyers in the next few months, so bringing down a belated final curtain on one of the most exotic episodes in motor sport.

Ashcroft, talking just before the start of last week's Lombard RAC Rally, was referring to the RS200, the company's rallying "supercar" with which Ford tried briefly – and failed – to win the world rally championship. That was before the entire category of rallying supercars – with their up-to-600 horsepower engines, thin plastic body-shells and zero resemblance to anything in a showroom – was banned on safety grounds at the end of 1986.

On Ashcroft's reckoning, the only reason buyers have been found for the 200 supercars – which Ford was required to build in order to meet the then-prevailing rules for the world championship – is that the RS200s deliberately were made civilised enough (just) for enthusiasts to consider buying them for road use.

He, Ford, and about two-thirds of the other major manufacturers which fight for the world championship, are thus well pleased that the more-than-150 cars that competed in the rally looked, and even sounded, like machines anyone could walk into a dealer and buy.

Never mind that, under its bonnet, the Lancia Delta Integrale – which, in the hands of Finn Markku Alen, won the gruelling, 1,750-mile event – had 300 horsepower compared with 185 for the showroom model; visually, it was indistinguishable from standard, as were the Toyotas, Mazdas, Peugeots, Vauxhalls and Fords with which Lancia fought its five-day running battle. In short, world championship rallying is now firmly back to the populist roots from which many, like Ashcroft, insist it should never have been tempted by the idea of specially-built cars – some capable of standstill to 100 mph in five seconds – competing in a "grand prix" of the forests.

Lancia, formerly a backer of the "supercar" approach, has least cause for complaint. Alen's RAC victory came as the finále. to a year in which the Italian cars have won every round of the world championship except one, the Corsican Rally, in which they came second to Ford. It was a stunning *tour de force* for the Italian team, which now has won the revised championship for two years in a row.

Corrado Isenburg, Lancia's motor sport co-ordinator, says it is beyond doubt that wins by the closer-to-standard, Group A competition cars lead directly to higher road car sales. Discussing the sales progress of the Delta Integrale, the £16,000, four-wheel drive hatchback on which the rally car is based closely, he says: "When we started the Integrale programme, we just hoped that there would be buyers for the 5,000 cars which we have to build to comply with the Group A rules. But, already, we have built and sold 15,000 Integrales."

It is not just the Integrale model which has benefitted. Sales of much slower and cheaper versions of the Delta, together with other Lancia models, had been in a long decline until two years ago. Recently, they have been heading sharply upwards again, even in the UK where a rust scandal late in the 1970s virtually killed Lancia sales for several years.

Ashcroft agrees wholeheartedly with Isenburg's view and says the situation is helped further by the creation of a junior rallying class, for Group N cars, in which virtually no departure from the standard showroom specification is allowed except for safety equipment.

"The private competitor is now in with a much more equal chance and that's got to be good for the sport", he stresses, although acknowledging that it can never be a cheap business. Even the most basic private effort is likely to cost around £3,000 for the one event, excluding the cost of preparing the car. (Ford had nearly 30 mechanics and 20 vehicles to support its two Sierra Cosworth entries).

With their motor sport budgets often running into several million pounds a year, vehicle-makers on this year's RAC rally also were pleased that the recurring wranglings between them and the Paris-based FISA – world governing body of motor sport – over what type of cars should be allowed to compete appear to be over. Early in the 1980s, the frequent changes ordered by FISA (usually on safety grounds as the now-defunct "supercars" got ever-faster) cost the manufacturers heavily in money and engineering resources.

Now, the sport is entering an era of unprecedented stability. "FISA has promised us stability with the current formula, subject to only minor changes if safety issues crop up, through until the end of 1994," says Ashcroft. With a 300-horsepower limit imposed, the manufacturers should also be freed from a costly battle for ever more power.

However, it was not only the manufacturers who were welcoming the prospect of stability. RAC officials are pleased that the future of the rally itself has been assured for the next five years as a result of a £4m deal signed with finance house Lombard North Central, a National Westminster Bank subsidiary. The agreement will extend the sponsorship to an unbroken 20 years, by far the longest in motor – or, indeed, any – sport.

Byron Crittenden, Lombard's chief executive, has no hesitation in describing the rally sponsorship as the smartest move the company has ever made on the promotional front. He says the Lombard name has become synonymous with the UK's single largest spectator event. More than 1m people attended this year and there were several hours of TV coverage.

For a company which has its main business in financing car sales, leasing, and even vehicle-manufacturing plants, the fit could hardly be better.

John Griffiths

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ART/COLLECTING

THERE IS still another week in which to catch the Henry Moore retrospective exhibition at the Royal Academy. An additional incentive for a trip to Burlington House in Piccadilly, London, this weekend is the third Original Print Fair, which continues until Monday evening. Among the 6,000 prints for sale is the lithograph by Moore pictured above, one of an edition of 50, which is on offer for £6,000 at the stand of Lumley Cazalet.

Thirty specialist dealers are selling everything from Old Masters to works by contemporary artists. The latter were a successful innovation last year and the eight leading dealers exhibiting in this field include Nigel Greenwood, with recent work by Adrian Wiszniewski, and Galleri K of Oslo with an impressive array of Munch, Gauguin and Picasso.

Frederick Mulder will be offering a very rare signed Matisse print, which shows a young girl seated at a table and is an impression taken before the edition was printed. Early 20th century British art is well represented at Gordon Cooke who has Laura Knight, Nevinson and Sickert for sale.

The first appearance of Agnew is something of a coup: it is selling perhaps the most expensive item on offer, a rare Munch woodcut, for £90,000. Its traditional rival, Colnaghi, is also offering the full range, from Old Masters to moderns. However, five-figure prices are exceptional. Austin Desmond has a range of late 18th and early 19th century caricature prints for around £30 and even has Daumier lithographs for £15.

Print prices have risen rapidly in recent years, partly because oils by the great artists are horrendously expensive, partly because the print is better appreciated in its own right. The fair should fuel an enthusiastic market.

Antony Thorncroft

New light shone on Rubens' lost masterpiece

***David Piper** on an exhibition celebrating a prolific genius*

THE JESUIT church in Antwerp, consecrated in 1621, gloried in a stupendous ceiling of 39 paintings by Rubens: one of the major triumphs of Northern Baroque art. The Father Superior responsible for commissioning Rubens was subsequently disciplined by the General of the Order for ill-judged extravagance. Indeed, one can wonder if the very heavens above felt some challenge for, less than a century later, they opened and lightning struck. The loss of the ceiling has been called one of the great tragedies in the history of art.

However, it takes more than lightning to deter art historians in search of any evidence that might have survived, and a section of an exhibition called "Rubens: Paintings, Drawings, Prints" (at the Courtauld Institute galleries in Woburn Square, London, until January 8) is devoted to the evocation of the lost ceiling. The material of the exhibition is drawn from the bequest of Count Antoine Seilern's collection that he housed at Prince's Gate. This special selection marks the completion of the first decade of the acquisition in 1978.

Seilern was not only a collector but a learned and fastidious art historian. Beginning in Vienna early in the 1930s, his range came to extend from the early Italian and the Flemish (two Brueghels and a triptych by that most rare and important artist, the Master of Flemalle) to Teniers; from Claude and Tiepolo no less than to Pissarro, Renoir and Cézanne – and Kokoschka, of whom Seilern was a patron.

Rubens provided inexhaustible fascination. Most of the 32 paintings by him that Seilern collected are normally on view and can be seen in their accustomed place, through which you pass through on your way to the new display. In that are included six of the preliminary oil sketches for the Jesuit ceiling along with a wealth of material not usually shown which relates to the whole of Rubens' career and the formidable diversity of his activity – drawings, prints, documents and letters.

Among the benefactions received by the Courtauld since the brilliant nucleus provided by Samuel Courtauld – Impressionists and Post-Impressionists which are, for me, still the most impressive representation of their work to be seen in England – that from Seilern is probably the closest to the concerns of the institute: to put it crudely, an ideal kit to serve research and demonstration in the discipline of the art historian. A catalogue (sponsored by P & D. Colnaghi) by Helen Braham illustrates this admirably.

Rubens' sketch of his second wife, Helena Fourment

For the gourmet, caviar indeed. For whoever the "average visitor" might be, in a visit of an hour or two the fare could be a bit arduous. A second visit, or more, is recommended warmly, to be undertaken after close application to the catalogue.

The first visit could well be approached in a more simple hedonistic mood, with heady results. Perhaps Jacob de Wit's rather limp water-colour copies from the Jesuit ceiling need aid from the catalogue to kindle interest, but the handful of the original oil sketches by Rubens are dizzying in the sheer bravura, exhilaration and sweep of his mastery of *di sotto-in-su* perspective. Although not much more than miniature in size, they are majestic.

Rubens was the reverse of a favourite romantic stereotype of the genius as artist struggling in neurotic solitude in poverty, unblessed by recognition or success. He controlled an exuberant genius of innovation, invention and imagination with a business-like efficiency. In this exhibition, you can almost feel him moving about in his studio among his assistants and collaborators, directing production. He was a friend of princes but no less of scholars, and claimed to be the most learned painter ever. But, for most of us, it is the immediate magic of his own direct touch, with brush or pen or chalk, that is most astonishing.

The drawings and studies shown range through almost all his career. Among the riches, I found two most touching. First, a reclining nude, a ravishing masterpiece of the most delicate and tender observation and virtuosity, recommended perhaps especially for those who find Rubens' nudes, in his paintings, over-endowed with flesh.

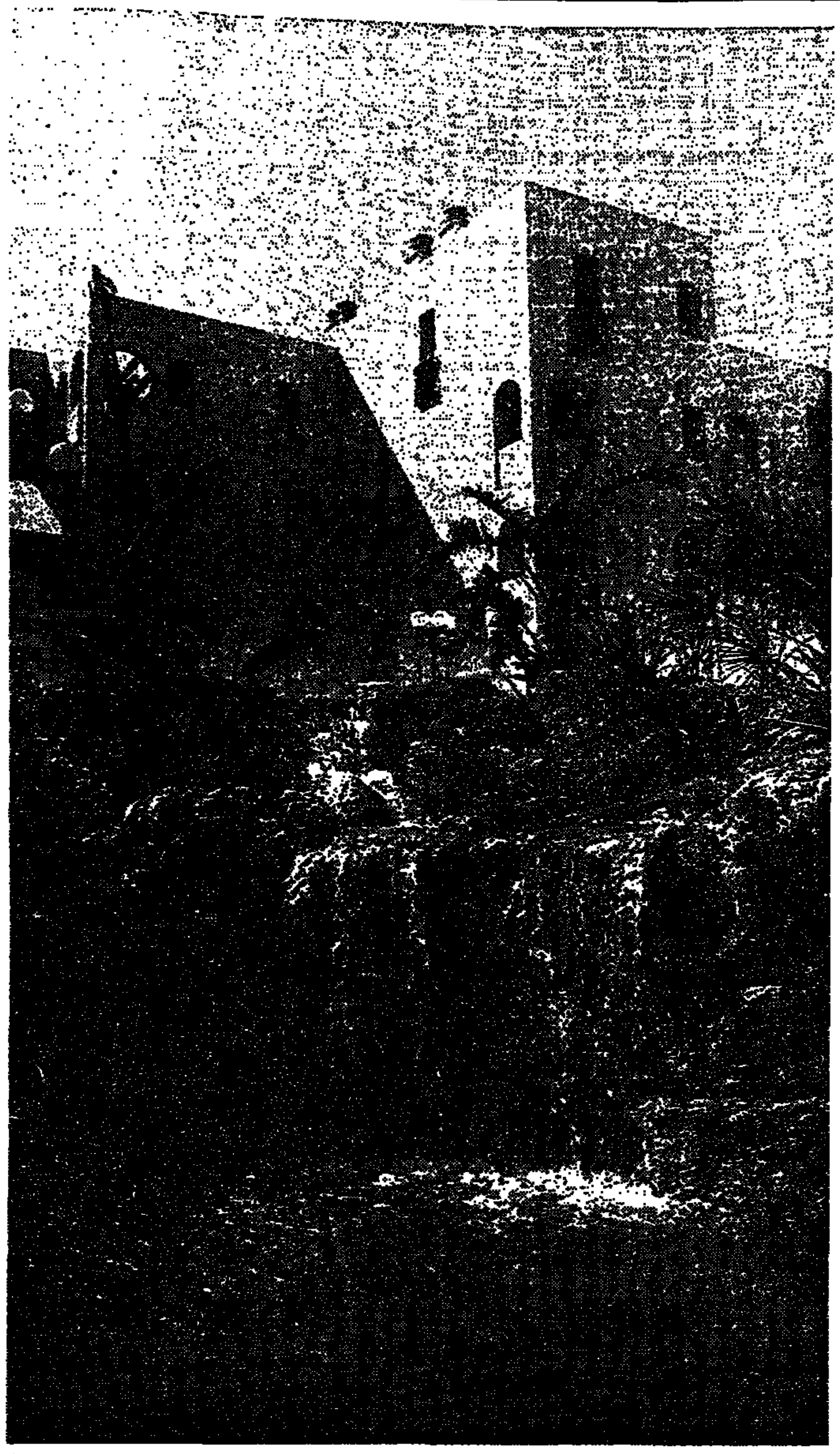
The other image is a rare finished portrait drawing, an even more tender, more delicate homage to the fresh beauty of Helena Fourment. It was drawn about the time of his marriage to her: his second marriage, he a widower in his mid-50s, she but 16 or 17. It was a marriage that, to judge by the radiance of so much of his later work, was to inspire a joyous Indian summer through the last decade of his life. She is modestly enchanting, holding a prayer book but also wearing a hat that was at that moment hugely smart and is now – so movingly – slightly absurd.

It is very proper that the Courtauld Institute, the senior English university department to be devoted to the history of art, should choose such an exhibition to celebrate the first 10 years of the great Seilern inheritance. But it marks also the end of an era: the last major exhibition to be mounted in the Institute's Woburn Square galleries. By autumn 1989, the Courtauld (it hopes) will be consolidated in its new home in Somerset House, bringing together its constituent parts now dispersed awkwardly about west London: libraries, offices, teaching rooms and exhibition galleries. The hope is to be able to show in the galleries 80 per cent of the exhibitable holdings of the Institute, compared with the mere 20 per cent possible at Woburn Square.

All who have cherished the collections in their present abode will look forward to this, hoping indeed to be able to see more but also with pangs of gratitude for the present and an ardent hope that a comparable standard of "user-friendliness" can be recreated on the Strand. I fear that quality might be due partly to the British public never really discovering the galleries, tucked away at the top of a lift behind a plain facade in remote Bloomsbury: You could have the Courtauld Galleries all to yourself, with a bit of luck: just you, doting on Cézannes, fantasising perhaps that you glimpse your own reflection in the glass behind Manet's barmaid in the bar at the Folies Bergeres.

I hope, though, that not too many people will discover these collections in the grandeur of Somerset House; not all at once, anyway, not when I'm there. But that is a selfish thought.

PROPERTY



Apartments in the Sotogrande Centre in southern Spain

Holiday homes in no-man's land

Scrubland near Gibraltar is being sought-after by developers. ***Audrey Powell*** *explains why*

THE EFFECTS of reopening the border between Gibraltar and Spain in 1985 have become increasingly apparent. Building projects, or plans for them, are taking shape steadily in the "no-man's land" towards the end of the Costa del Sol as you approach the Rock.

The last outpost of fashion along that hazardous coast road was Sotogrande, 12 miles from Gibraltar. The rest mostly was scrubland that even developers ignored. Now, you hear of large areas changing hands between companies as interest grows, with British firms strongly in the market.

It is from a little farther back, say in the 27 miles from Estepona to "Gib," that the developers are seeking sites. Some see this as the future boom section of the Costa del Sol.

Largest of the new projects must surely be Costain's at Alcaidesa, close to Gibraltar. Here the group bought 4,500 acres on either side of the main highway, the N340. Having mulled over its purchase, it then sold 2,500 acres of what was an inland safari park and is now to develop 1,000 acres on either side of the road.

This will be its first residential scheme in Spain and it is tackling it warily. It will develop the beachside sector first. Spring should see the first of 100 houses and apartments being built and sold from plan – at prices from around £60,000 to £150,000. Details from its Milton Keynes sales office (tel. 0908-675-777).

There will be two golf courses, a beach club and more enclaves of housing separated by landscaping. All will be low density and up-market, probably influenced by communities in California, where Costain also builds. The company has consent for 5,000 properties in this section but does not envisage building more than 4,000, although there will be a hotel, banks, shops, swimming pools, squash courts, water features and all the trappings of today's leisure market.

It will probably be three to six years before the group starts on the inland side of the road but it will build an underpass so that residents on the seaward side can use the land for activities such as riding and clay pigeon shooting.

Enter the Japanese. Golfing star Tony Jacklin is said to have long dreamed of a "very special European golf and leisure facility." With the planned San Roque Club on the inland side of the highway west of Sotogrande, this could come about for, after several setbacks, Asahi Kanko – one of Japan's major golf development companies – will be providing "corporate and financial support."

Here, on 340 acres of what was a country estate of the Domecq sherry dynasty, Jacklin and international course designer Dave Thomas have the chance to make San Roque into what Jacklin wanted. The course should be playable next autumn. Meanwhile, civil engineering company Ove Arup is designing the club infrastructure. There will be two "villages" of houses, up to 50 apartments and 160 plots, priced from £125,000 for individual villas. A converted mansion will form the clubhouse, with its restaurants offering European and Japanese menus. Work on the first properties is just starting. Information from Brooks Associates (tel. 0285-657-576).

There is, of course, a general problem with developments along this notorious highway – the traffic it has to take. The 80-mile Malaga to Algeciras stretch is the worst and 400 British tourists have been killed or injured on it since 1981. The AA has been campaigning to make it less dangerous: the road is being widened and bridges and underpasses built. Indeed, the Spanish Government says that, between 1987 and 1990, it will have spent £275m on making the N340 safer.

The 20-year-old, 4,000-acre landmark of Sotogrande is a private country and sporting estate where 500 villas are scattered lightly between its golf courses, tennis courts and polo grounds. Some 80 acres of the estate have been sold to Fincasol (London sales 01-581-5554) to add to the Sotogrande Centre it is building alongside the N340, which includes flats, shops and a sport and fitness club. Banesto, which owns Banco Central, was involved in the 80-acre purchase and there are plans for a £50m development on the site, with 225 houses and more sporting facilities.

A huge estate scattered lightly with villas is the landmark of Sotogrande

Close by, Puerto Sotogrande, an integral part of the main Sotogrande estate, is developing 200 acres on the waterside. Beach apartments, river houses, four swimming pools, shops and a beach club form one part.

The newer section, around what will be a 1,500 berth marina, offers more apartments – in earth and ochre shaded blocks with irregular roof lines. There are berths available and apartments from £125,000. The harbour is intended to have a Venetian air. Its centrepiece, the yacht club/hotel, resembles an old-style custom house but has been coloured tomato red and, rather oddly, sports reflective glass windows. These, having little to reflect, make the building look like a shell. Inside, though, the furnished suites are stylish and some of their terraces could double as the deck of a ship as the water laps below. Prices from £60,000 to £150,000. (London sales tel. 01-491-3665).

Puerto Sotogrande is quiet at present – ideal for unwinding. Many couples seeking just that might find a competitor's description of it as "a place to live, rather than have fun" to be the highest commendation.

Farther along, there are plans for an Andalusian style village, called Paloma de Manilva, to be built in 50 acres of wooded headland that rise steeply to 700ft at Punta de la Chullera. The developers are Altos de Manilva and the PMS Group (an international estate agency which is part of the British-owned Langdale Group). They promise that this five-year project of 370 properties will not be "another collection of Euro-boxes." Work is starting shortly; prices from £60,000. PMS is at Bray-on-Thames, Berkshire (tel. 0628-770-011).

Three miles before Estepona is Puerto de la Duquesa, with another marina and an established port. Duquesa's golf course is on the other side of the coast road and furnished suites for players are offered in the new clubhouse, priced from £68,000 for full use or from £55,000 on a leaseback basis. Prices include a share in the golf club. Duquesa Marketing, London (tel. 01-724-4506).

Adjoining the first fairway, is Taylor Woodrow's Los Castillos development that will comprise 90 two-bedroom/two- bathroom or three-bedroom/three-bathroom apartments for all year-round living. The company feels that the average holiday property is not geared to winter use so, for its first development on the Spanish mainland, it is putting fitted carpets in the bedrooms and central heating and open fireplaces in the apartments, along with air conditioning. Room buttons call the resident concierge and there is basement parking. Prices from £87,500. (London sales tel. 01-991-3200).

Clearly, being 30 minutes or less from Gibraltar airport, without the hassle of a much longer drive though Marbella to and from Malaga airport, will weigh with potential buyers on the Costa del Sol.

There is a lot more new building around the small and still very Spanish town of Estepona. A novel, rather elegant scheme is the Belgravia Club overlooking the marina. Developers are Canadian Bill Kessels – who built the pretty Villacana estate along the coast – and a British partner.

The gardens are lushly tropical with fountains, swimming pool and terrace for dining. Unusual bonuses are a 36ft cruiser moored in the marina, and a cottage in a nearby mountain village – both available for property owners' use. Details from Euro Property Advisers, Salisbury, Wiltshire (tel. 0722-330-847).

These are just a handful of the spread of developments in this region. According to London agent Spratley & Co., the market is steady, not exciting. A spokesman added that because the "Sol" had been a little overpriced, "we think it will level a bit." Euro Property Advisers adds: "It is very up and down. You can no longer predict what will happen. It's a lot to do with the stock market. We have much more interest from people over 55 who suddenly realise they are sitting on a goldmine in the UK and could sell and buy a place in the sun for the winter months."

هكذا من الأصل

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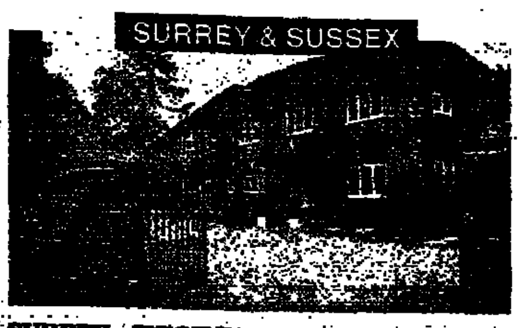

SURREY – HOOK HEATH, NR WOKING
Delightful family house in immaculate order throughout, with bright and spacious accommodation. Reception hall, 3 receptions, kitchen/breakfast area, study/office, master bedroom suite, 4 further bedrooms, family bathroom, annexe with sitting room, bedroom, kitchen, bathroom. Secluded south facing gardens.
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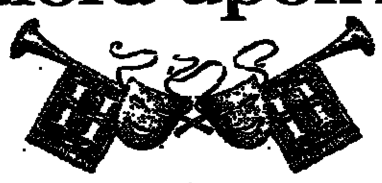
HAMPTONS Open in Stratford-upon-Avon



Contact: Dick Kennedy-Hawkes, Hamptons, 9 Union Street, Stratford upon Avon, Warwickshire. CV37 6QT. Tel: (0789) 414525

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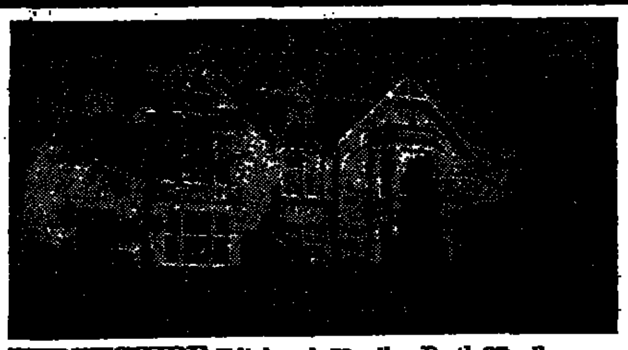

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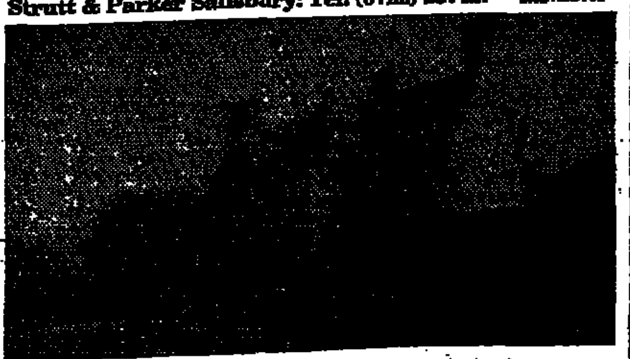

SUSSEX-WINCHELSEA Rye 3 miles.
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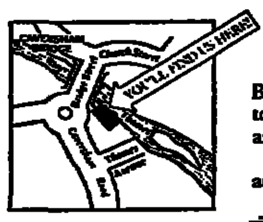

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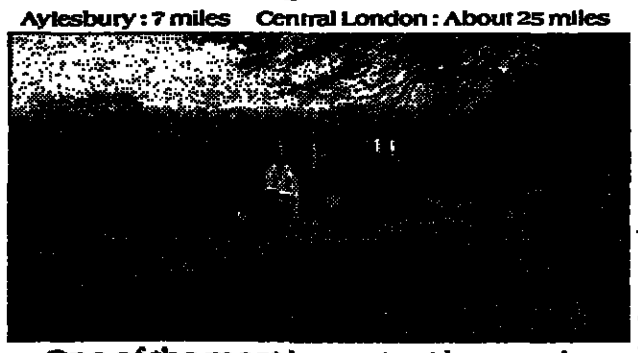

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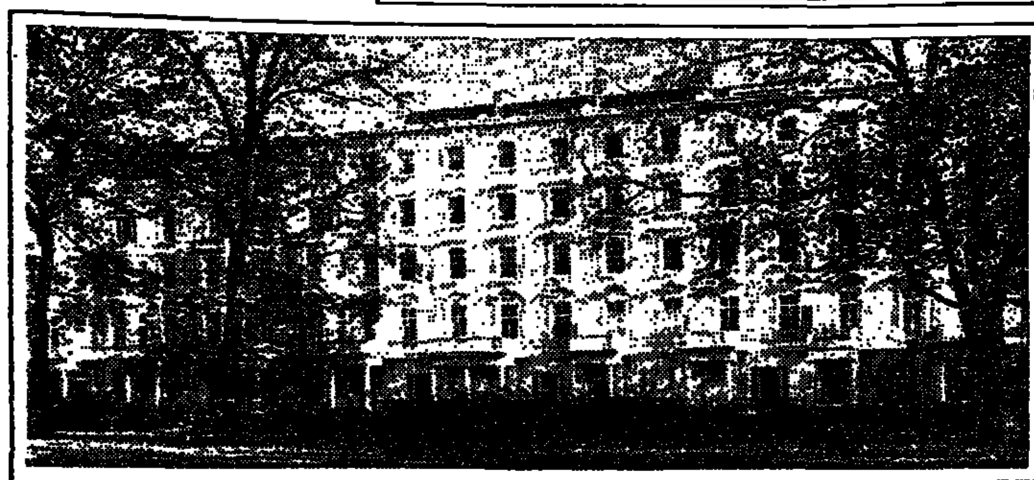

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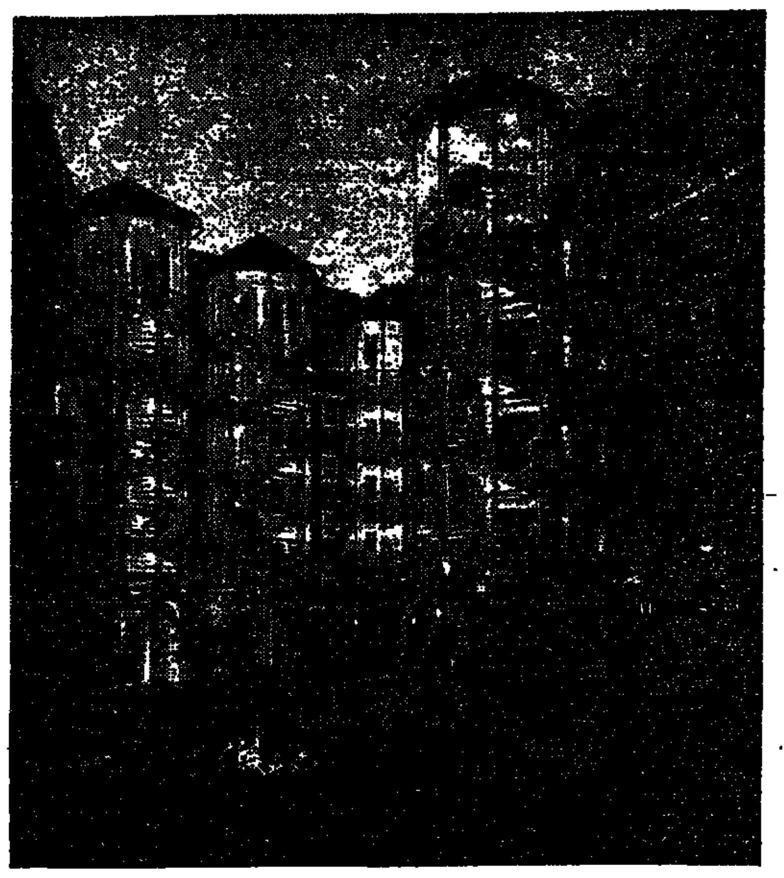

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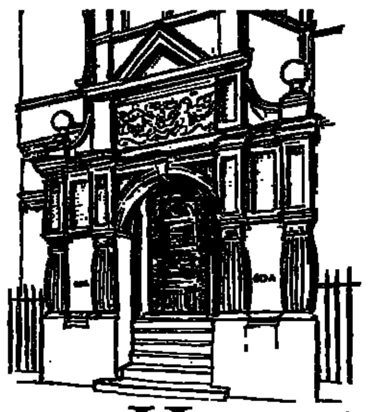

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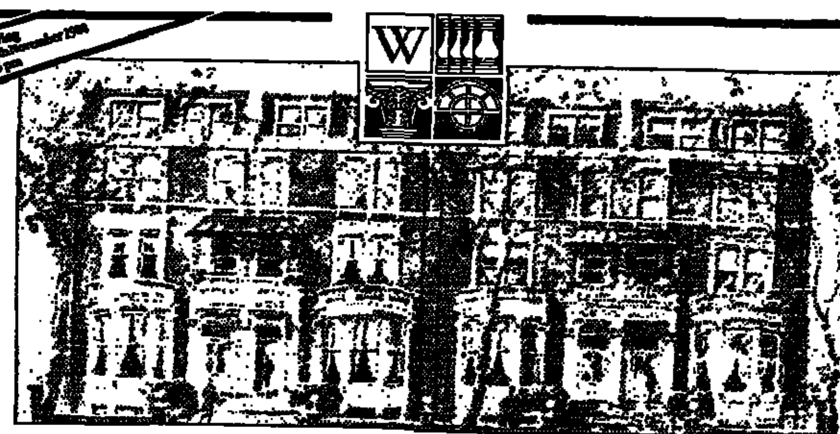

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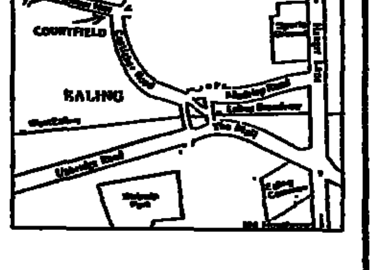

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Avenues of the highest endeavour

***Robin Lane Fox** files a progress report on the goose's foot in his garden*

IN THE GARDEN, at least, there has been progress since the spring before last. In April 1987, I wrote twice about planning and planting a series of five little avenues which were to radiate outwards like the fingers on an outstretched hand. In French gardens, the pattern used to be known as a *patte d'oie*, or goose's foot.

Some of you wrote to ask for details; one of you even sent the avenues a Christmas card, wishing them better luck in 1988. A most competent gentleman from Surrey has just written to say that he suspects the whole lot have died because we have not heard anything about them since. Evidently, it is time for an update.

They are not, in fact, dead, although they are due for a slight reshuffle. Every one of the trees is growing well. They were too far north for the gales of 1987 and they have a record of which most investors would be proud: two great successes, one flop and a solid backbone which has my complete confidence and is not due to perform until 1990. If you saw them, I admit that you would not think they looked very tidy. Partly, their condition is a matter of policy, partly one of meanness, which amounts to the same thing.

The idea was to plant upright trees about five yards apart to make avenues in rough grass, filling the intervals with vigorous, self-defending shrubs. Each avenue was cleared by a heavy-duty rotavator and was planted in April without any prior campaign against weeds. Elsewhere in the garden, orthodox flowerbeds were a prior call on my time and attention: if the avenues were going to work, they would have to fend for themselves.

Self-defence did not exclude a judicious use of poison. Once in spring, once again in the wet summers, we spray the intervening weeds with Tumbleweed. If the weather is clear when you put it on and not too dry afterwards, Tumbleweed knocks out the rough grass and thistles and shakes creeping buttercup to the roots. I have never been the luckiest Tumbleweeder, as I usually provoke a drought. The results have been much better since I left the job to my wife. I now see that it is no coincidence that most of history's great poisoners were women.

Two Tumbleweedings keep the semblance of order, although we cannot spray among the stronger shrubs during the summer. The outline of the plan is clear already but it would be clearer if I could bring myself to cut down all competition. The truth is that my goose's foot has big coniferous pins in it. I planted it on ground which had been

used for Christmas trees, and I am so sick of buying them at high prices that I cannot bear to cut down these growing assets.

Family protests against them reach a crescendo during the season because they distract the eye just where the avenues are not supposed to run. However, I do notice that they die away at this time of year, when we are about to cut and drag one victim from the pack indoors. One idea is that we should imitate Christmas practice in Alabama and decorate all the trees just as they stand in the garden. Some tinsel and bunches of sweets on the branches would silence the complaints for a good few months.

The Christmas trees, I calculate, will run out by 1998 (perhaps earlier if I have any luck with my policy of insane generosity to any friend with a big car boot who lives in a town). Meanwhile, we can dwell on our successes.

The central avenue is planted with the upright form of hornbeam, which is a backbone of high quality and turns a pleasant autumn colour. The next two avenues are planted with a flowering pear which is even better than I expected. Pyrus Chanticleer flowers prettily with white blossom in spring and grows into the necessary upright shape. Its great charm is its glossy green leaf, which reflects the light more clearly as the year advances and is only now beginning to turn a reddish brown. This type of pattern does not need trees with striped leaves or fancy flowers. It needs upright trees which can be trimmed, and this little pear is a winner.

Between them I planted two tough forms of scented philadelphus, Beauclerk and Belle Etoile. They are alive, but as yet they are not exactly kicking. I am still fairly confident, but they suffer by comparison. The two outer avenues are packed with a single-flowered shrub rose which I thought would be more appropriate for this semi-wild setting. We chose the vigorous rose Complicata, a single-flowered variety in shocking pink with a central zone of white. It is a huge hit, already 3ft high and wide in its second season.

I knew the flowers would be dramatic but the surprise was the fresh and lasting quality of its grey-green leaves. It flowers once, but it is a marvellous shrub for naturalising or filling up wild corners in poor soil. It reaches 6ft and is increased easily by cuttings.

On the outer edge of the foot, we had a flop. I edged it with a line of lilacs grown as standard trees, but they are not bold enough beside the rest of the planting. Among the uncomplicated rose Complicata, I now intend to put the discreet, yellow-berried sorbus Joseph Rock as my third tree. I will replace the lilac with more of the pear trees to give the plan a unity. If you make small avenues, avoid the temptation of shrubs grown as standards because they are too slight.

Is it, frankly, worth the trouble? It needs space, a length of about 40 yards for the central avenue and probably more width than I have for the spread of all five. If you are not too tidy-minded it is not a bother, especially with a female poisoner. In five years it might need thinning but, to my eye, the pattern already has promise and quite a bit of style.

Give it a trial, if you have a central viewing point down which you can look at your trimmed, upright trees. I do not recommend pre-existing Christmas trees: beauty and profit are not natural companions.

Plants that dine out

I TICKLED the fiercely-toothed leaves of the Venus fly-trap with a fallen leaf stalk and watched it snap eagerly, mistaking the stimulus for an alighting insect. Then I repeated the experiment on a sundew, expecting its tentacles to fold inwards. But it was a gloomy day with the morning mist only just beginning to drift away, and the plant seemed lifeless and uninterested. Peering into the deep pitchers of some sarracenias, though, I saw that they contained many drowned insects.

All these plants were growing in a little garden of carnivorous species made by the Royal Horticultural Society's gardeners at Wisley, Surrey, in the corridor which links the big display glasshouses with the smaller trials and service greenhouses beyond. Almost every visitor to Wisley passes through this quite narrow place, so the collection is certain to attract attention.

A week or so later, I received a copy of a new revised edition of Adrian Slack's book *Carnivorous Plants* (A.& C. Black, £12.95), illustrated magnificently by Jane Gate. I thought how much the menacing cover picture resembled a cobra rearing to strike and, opening the book for enlightenment, discovered that it was of a darlingtonea, known popularly as the cobra lily. Like the sarracenias, to which it is related, it captures its prey by luring them with nectar, which is most abundant around the top of its slender pitchers. Once inside, the insects find little secure foothold, are prevented from scrambling back by downward-pointing hairs, and eventually tumble exhausted into enzyme-rich fluid at the bottom of the pitcher, there to be digested.

For that is the aim of all carnivorous plants, whatever their origin and wherever they are found. Invariably, they have to cope with a natural lack of plant foods – particularly of nitrates in the soil. They have devised means of trapping and decomposing small creatures and making use of the chemicals they contain. Slack divides their methods of trapping into two main groups which he calls active traps and passive traps, and sub-divides each of these into three means of capture: pitfall, lobster pot and fly-paper for the passive traps; fly-paper plus steel traps and mouse traps for the active section. The darlingtonia and the sarracenias use the pitfall method; the Venus fly-trap or dionea, which I teased at Wisley, is the most familiar example of the steel trap.

Carnivorous plants grow in many parts of the world. I have found sundews (drossera) growing in the peat bogs of Sedgemoor and also in the mountains of South Africa. I have fished the greater bladderwort (utricularia) out of the drainage channels on Sedgemoor, attracted to it by its pretty yellow flowers, and have then marvelled at its little

bladder traps, although I did not understand their complexity until I studied the diagrams in *Carnivorous Plants* and read the author's two-page description. Although often very small, he regards them as by far the most ingenious of all the plant traps. They are little bladders, always in water and sealed hermetically until opened suddenly by a trip mechanism which allows water to rush in, dragging with it the unfortunate creature which operated the trip.

Many carnivorous plants are beautiful, particularly the sarracenias because of the slender shape of their erect pitchers, their varied and often intricate colouring, and the flowers held aloft on slender stem-like parasols. Unlike the pipe-like nepenthes, which are all tropical plants requiring warm house conditions in Britain, the sarracenias are mainly hardy (or nearly so); and one of the most attractive species, purpurea, has actually naturalised itself in considerable numbers in the peat bogs of central Ireland. The cobra lily is also hardy, growing wild at considerable altitudes along the west coast of America as far north as Oregon.

Slack says one of the necessities for this plant is cool soil or, more accurately, live sphagnum moss, for that is what its roots most enjoy. Yet for the sundews, this would appear to spell disaster. Equal parts of granulated moss, peat and sand are what are recommended and it becomes clear, as you read *Carnivorous Plants*, that sundews can be tricky and are not the best plants with which to start a collection.

In these matters I am not a reliable guide because, although I have been fascinated by carnivorous plants for a great many years, I have never attempted to grow them. Yet, quite clearly, many kinds can be grown, probably most easily in a greenhouse or plant cabinet in which temperature, humidity and light intensity can be controlled most readily. Equally clearly, an ever-increasing number of gardeners are growing them and there is a Carnivorous Plant Society based at 174 Baldwin's Lane, Croxley Green, Herfordshire WD3 3LQ.

I think the gardeners at Wisley must be aware of the increasing public interest in these strange but often very beautiful plants, and that is why the display of carnivorous plants there has suddenly been given such prominence.

Arthur Hellyer

The scavenging field . . . just one of the many children who use the vast areas of demolition

1984 is for real in Transylvania

THE 2m Hungarians living in Transylvania in western Romania, face an especially hard winter this year. In addition to the drastic food and fuel shortages brought about by the parlous state of the Romanian economy, the traditions and culture of the Hungarian minority are threatened by President Nicolae Ceausescu's plans to "systemise" his country.

Ceausescu has declared that by the year 2,000, nearly 8,000 villages in Romania will be demolished. Displaced inhabitants will be moved to 300 purpose-built "agro-industrial complexes" to labour in farming cooperatives and factories. Ostensibly, "systematisation" is planned to improve living standards, reduce unemployment and rationalise the economy. But destruction of village life entails the eradication of some of the richest ethnic cultures still surviving in Europe.

Transylvania, ceded by Hungary to Romania in the aftermath of the First World War, is particularly vulnerable. Many small villages in the Carpathians preserve lifestyles and folklore untrammelled by the 20th century. Hungarians living there feel "systemisation" is being used by the Romanian government to practice a cultural ethnocide which will eliminate the Hungarian minority's identity.

Transylvania's relative autonomy has been whittled away by the central administration in Bucharest. Key posts in the region are held exclusively by Romanians. Major towns are heavily policed by armed militiamen, backed by security police. On the streets a tangible atmosphere of fear predominates. There is an insidious network of informers.

Hungarian schools face a relentless attrition. Hungarian-speaking teachers graduating from universities are posted to distant parts of Romania. Vacant posts are filled by Romanian teachers who cannot speak a word of Hungarian. As a result, children have to relearn their entire syllabus in Romanian, often only months before important examinations. Teachers are powerless to protest. School directors are Romanian, government inspectors visit frequently to monitor and control.

The same inexorable pressure is being applied to the villages and towns of Transylvania. Usually, householders are informed that their homes are being compulsorily purchased by the state (at 30 per cent of market value) with sometimes as little as two weeks notice. Their homes are razed, and if the site is intended to become one of the new "agro-industrial" complexes, high rise flats are built. Given cramped temporary accommodation until the new buildings are ready, peasants have to sell off livestock and salvage what they can. They are rehoused in the new blocks and allocated jobs in agricultural cooperatives or factories.

Csikszereda, now known under its Romanian name as Miercurea Cuio, used to be aflourishing market town surrounded by peasant small-holdings in the foothills of the Carpathians. Over the past ten years, it has been "systematised" and it now offers bleak Orwellian vistas of wide shopping malls and high rise blocks. The new flats are jerry-built, and with current shortages of fuel, nearly uninhabitable in winter. Power, water and gas cuts are frequent, and there are stringent new energy saving regulations.

Transylvania is the coldest

part of Romania and in winter, temperatures frequently drop to minus 25 degrees centigrade. Any attempt to supplement the block's central heating system can spell financial ruin. Every household is limited to 27 kilowatt/hours of electricity per month (a single bar electric fire uses one kilowatt per hour) and excess consumption is charged at three times the normal tariff. A teacher living in Csikszereda told me: "Last winter my son was ill and I had to heat his room. It cost me three quarters of my month's salary."

Teachers are in a sense privileged, because they can be sure of receiving their salaries every month. Industrial workers take home full wage packets only if their factory has achieved targets set by the Five Year Plan but few factories are running at more than 50 per cent efficiency and pay is reduced. Last November in the central Transylvanian town of Brasov, workers' fury over food shortages and months of working on half-pay erupted. Militia from areas outside Transylvania quelled the riots and over the following weeks, suspected ring leaders were arrested. Some have yet to be released.

Food shops in the new urban centres are stocked only with dusty stacks of tomato preserves and mineral water. All staples are rationed, no meat has been available for seven months, and fruit and vegetables are very expensive. Many Hungarians living in towns depend on relatives still farming to supply meat, eggs and fruit.

Many others rely on relatives in Hungary to supply food and medicines, and every weekend, laden groups board the train for Transylvania at Budapest's Nyugati station. Romanian customs sometimes, confiscate the food parcels, but can usually be bribed.

Antibiotics are practically unavailable in state pharmacies as are contraceptives. The Communist Party has decreed that the Romanian population should reach 30m by the year 2,000. Birth control and abortion are illegal and all childless single and married people lose 10 per cent of their meagre monthly salaries as a penalty for failing in their duties to build the "golden age of Romania." Women of child-bearing age are pregnancy tested and carefully monitored and should any miscarriage occur, they face trial and imprisonment if deliberate abortion is suspected.

For many of the Hungarians living in Transylvania, the only hope for the future lies in escape. Since the beginning of the year, between 10,000 and 20,000 refugees have crossed into Hungary. Officially, the Hungarian government does not encourage the influx, but new arrivals usually quickly find jobs and accommodation.

For those who stay behind, the situation looks increasingly bleak. The Romanian government has stopped issuing passports to the Hungarian minority. But as many as a hundred a week still cross the border, either braving the strongly guarded frontier, or bribing their way through. One arrival, a young engineer in this twenties who had crawled over the border at night under fire from Romanian border guards, said in Budapest: "After only three days here I have found a well-paid job and accommodation. But my family, friends and home is in Transylvania. I have no wish to be a refugee for the rest of my life and I will always hope to return."

Nick Seden

Country Notes

The rodent that said rats to our trap . . .

AUTUMN IS with us again and the rats have come in from the fields: Keats forgot to mention that particular blessing. I thought last year was bad but this year seems worse; and if there is one animal for which I have little love, it is the common rat.

Nearly 30 years ago, we used to live in a little wooden bungalow alongside a dyke in Woodhall Spa, a delightful Lincolnshire village. At night, we could hear the rats on the roof; they came up from the dyke, through our garden and, up a drainpipe to their nocturnal playground. We never did find out what they did up there or even why they went up, but as they did not bother us we left them alone.

When we put our baby in its pram in the garden, the rat problem demanded a new imperative. Protect the baby, get rid of the rats.

From our hardware store – and it was a real store in which you could spend hours examining incredibly useful gadgets – I bought a rat trap. Not the sort of cage you baited and then waited for Mr Rat to enter, leaving you with a trap and a pretty cross rat inside waiting to be dealt with; but a giant variety of mouse trap.

It had a spike for the bait and a very powerful snap-back which certainly would have broken a finger if set carelessly; yet, the platform could be set with great delicacy.

This anti-rat weapon was positioned expertly by the novice trapper. The rats were in the habit of coming up the bank and along a rat path which they had worn between our trellis boundary fence and a dense clump of brambles on the bank. They then came into the garden through one of the holes in the trellis – always the same one. A large piece of cheese seemed a decent last meal to offer, and thus was the trap baited and set in the run between trellis and brambles.

Within 10 minutes, a rat had obliged; within half an hour we had three, all of which had been killed instantly; the trap was efficient. We watched these happenings from a window overlooking the garden with little real interest until the arrival of the fourth.

To all intents and purposes it looked just like the others, perhaps a bit brighter. It studied the trap for ages; it tried to go round it but could not manage that although it kept sniffing the cheese. In fairness to the trapper, it was a very nice piece of cheese. There was no doubt that this

rat was not going to put a foot on the delicately sprung platform. But it did fancy the cheese.

Eventually it climbed up the trellis, positioned itself above the cheese, secured its position by holding on with its back legs and tail and then, so very carefully, lifted off the cheese before returning to the bank. I rather admired its ingenuity.

Since then, we seem to have been bedevilled by rats and by animals in our lofts. I do object to them in the feed store. Apart from a steel bin, I do not know of a rat-proof store. For two years now my store has been broken into, either through the pantiles and felt or through the stone walls. Once in, it is always the same destructive action. They eat the backs of the bags next to the wall so that the damage is not seen until the bag is moved. They then move copious quantities into whatever den they have made – and, in this case, it is the log pile.

At this stage, I usually lose patience and call in the rat-catcher, the council's pest control officer. With a bucket of mix and a long spoon, he sets about his work. Modern science has provided him with red plastic dishes and these are placed according to his considerable knowledge of rat habits. Five corpses in as many days and no more holes in the feed bags.

It is, however, not just rats with whose company we have been blessed. For three years we lived in Sri Lanka, in a fine old house near the racecourse. While there, we had listened to the patter of not-so-tiny feet in the loft. But another sound accompanied the pattering. It was just as if someone was rolling marbles on the floor. Investigations showed that we had a family of wildcats – and they really were wild – which shared our accommodation and spent all their spare time playing with nuts from our palm trees in the garden. I imagine they are still there – and they certainly did not share their roof space with rats.

We had not moved into our present stone-walled English house for very long before we heard the patter of feet in the roof, but this time it was more of a scuffling on the ceiling. Knowing our remarkable gift for sharing our premises with uninvited animals, we sent for the expert. He was an immigrant Pole who had remained here after the war, and he enjoyed a reputation as a gifted rat-catcher.

Into the loft he went, armed with the usual trappings of his calling, to examine several piles of feathers which we had discovered. There was considerable excitement, much collecting of droppings – which clearly were not of rat specification – and away to the laboratory.

The upshot is that we have now shared our home with a family of weasels for 18 years. Every now and then we see them in the garden, playing in the sun. The point is that they do not share their home with other animals, which makes us happy.

Bobbie Robson

TRAVEL

How the Raj lives on in a city of terrors

***Alexander Norman** on India's split personality*

DESPATCHES
Calcutta

IF YOU are looking for hell on earth, you will find it in Calcutta. The streets are haunted by beggars and cripples with shattering deformities. Everywhere you are reminded of the frailty of human existence. And at the temple of Kali in Kalighat, the foetid air, gasping with an infinity of nameless exhalations, seems in keeping with propitiation of the goddess of death. There you may see, daily, the sacrifice of at least a dozen goats and sometimes an ox plunging at the thrill of frenzied drumming.

This is an elemental city. Yet it would be wrong to suppose that life in Calcutta is universally desperate. There are more subtle agonies for those who live beyond the web of extreme poverty. It takes 90 days' advance booking to reserve a seat on a regional train, for example. But even so, there is a section of society for whom the most minor considerations are purely academic. For there exists, in this former capital of Britain's Raj, a beau monde. Given an unofficial population of more than 14m, it would be surprising if there didn't.

There are two things, principally, which India has bought wholesale from Britain: the lounge suit and an Anglo-Saxon love of bureaucracy. If there is a third, then it is the British weakness for gentility. Almost all the social institutions in India – the sporting clubs, country clubs, planters' clubs – founded by the British are kept extant 40 years after independence. It is to these that the new, and even the not so newly rich, gravitate.

It sounds improbable but, for many, nostalgia for the Raj is the touchstone of upper and middle class aspirations. Nowhere is this more evident than on Calcutta's social circuit.

The Season (as it is known, unblushingly) begins in early November – last year, with the World Cup cricket finals. It continues until late March when the last of the race meetings is held by the Royal Calcutta Turf Club. The rest of the year is either too hot or too wet for serious play: during the monsoon, many streets are flooded to a depth of several feet. But in the meantime, there are horse shows and polo matches, exhibitions of contemporary crafts and art and, this year, a festival of dance starring the Bolshoi. There are book fairs and trade fairs. Almost every night, Somebody is giving a party.

The highest concentration of Somebodies is to be found at the grounds of the Calcutta Polo Club ("the oldest polo club in the world, patron the Duke of Edinburgh," proclaims its yearbook) at the final of one of the tournaments.

The most spectacular of these is the Oberoi Gold Cup, sponsored by the Oberoi chain of hotels. There are two canopied grandstands, one with comfortable chairs (for members and guests), the other with benches (for everyone else), separated by a red carpet. Before the match, there is a parade of regimental bands, one of them from a Highland battalion, splendid in orange kilts and turbans, blowing a fearless cacophony on their bagpipes. Afterwards, there is tea with cream cakes and tiny sandwiches handed round by uniformed bearers.

Among these are to be found maharajahs rich and poor, perhaps a film star or two (Moon Moon Sen, India's answer to Brigitte Bardot, is married to a cousin of one of the former sorts of maharajah) and usually a pair of dazzling Nepalese princesses who winter in "Cal" every year.

Almost as grand – excepting, of course, the private boxes which contain two clusters of people just about as grand as you can get – are the race meetings. At these, the whole atmosphere is redolent of past glory, even down to the names of the contests themselves. The Viceroy's Cup is still competed for. On New Year's Eve, the Pink Lady Calcutta Oaks and the Royal Challenge Trophy are run. There is a Nepal Gold Cup and a Hothouse Handicap and a string of memorial cups – including those of their late Highnesses, the Maharajah Jagadipendra Narayan Bhup Bahadur of Cooch Behar, and the Maharajadirajah Uday Chand Mahtab of Burdwan. As with the polo, the races are supported strongly by the military.

In India, as in Britain, certain sections of the armed services retain a degree of social cachet, and none more so than the 61st Cavalry based in Calcutta. It plays annual host to a visiting polo team: last year to one from Cowdray. Its best horsemen are in the first rank of all India. But, as in Britain, the army is losing its pull with the scions of the good and the great. There is more money to be made in business. This is all the more of a consideration since the disestablishment of the princely families by Mrs Gandhi in 1971.

The net result is that more and more of the truly rich are leaving Calcutta for the more immediate attractions of Bombay, India's capital of commerce, leaving gaps in the membership lists of the clubs which, increasingly, are filled with denizens of the professional middle classes. It's all rather laughable, an Indian friend remarked, that these people should seek to join organisations which formerly would have admitted them only as waiters.

But even if the gentility of post-independence Calcutta is ultimately as sham as that which it replaced, it would be wrong to mock the efforts of these people to sweeten their lives. The skeletal waifs outside every window are a reminder that Calcutta is a city which cannot deny its terrors.

A Santa who frets over floppy discs

***William Glenton** visits a legend in Lapland*

IT IS official. There is a Santa Claus. How can anyone deny it when no less a person than the governor of Finnish Lapland has proclaimed it so? He has gone further, ordering that the whole of his vast territory of forests and lakes be known as "Santa Claus Land."

The Finns are great believers in fairy tales, but this is no midnight sun madness. There is a board of councillors to administer the project, which it states is to "prove to the world, by practical means, that Santa comes from Finland and that his home is in Lapland."

It dismisses accusations that it has hijacked the old boy simply to boost tourism as jealousy. After all, it points out, how can the 300,000 children who write to Santa in Finnish Lapland every Christmas be wrong? Even sceptics such as myself have to take notice when we see proper road signs marked "Santa Claus Village" – not to mention the six official workshops scattered around his territory. In winter, although the workshops are open all year round, the snow adds a touch of realism.

The "village" stands exactly on the Arctic Circle. Lying beside a main road, it looks like a very stylish filling station. The reindeer outside, however, are fuelled with bales of moss. They look a rather weak form of transportation to pull the large, stout Santa I find inside an office. (He insists that he uses jets and helicopters for the longer sections). He reveals that he is now using a computer to answer many of the letters he receives, but he is clearly worried about it. Stroking his long white beard, he tells me that he is having problems with his floppy disc.

Even if he does expose blue jeans beneath his red robes, he takes the whole business very seriously, as does everyone else in Santa Claus Land, including the many green-clad "elves" on his staff. The thousands of tourists who visit the village find themselves caught up in this well-orchestrated make-believe.

They get brought down to earth a little, though, on discovering that his workshops are really souvenir stores where presents have to be paid for in hard cash. But the gifts are more attractive than the usual tourist bric-a-brac. To make sure there is no problem with travellers' cheques, there is a bank. There is also a post office – one of the busiest in Finland. Everyone wants to send a postcard stamped "Santa Claus Land" and "Arctic Circle."

If the centrally heated stylishness seems in contrast with the snowbound wilderness outside, it is no more than a typical example of how excellently the Finns manage to make Lapland an attractive winter holiday destination in spite of temperatures that often drop very far indeed. Winter is fast becoming Finland's busiest tourist season, although summer brings in many thousands seeking a holiday close to nature, the main activities being angling, hiking, boating and touring over a good network of well-kept roads.

But it is the snow, which can last a good six months, that helps give the region particular appeal. There is skiing, of course, but mainly of the cross-country kind. The fastest growing winter sport, if it can be called that, is snow-cat riding – charging through forests and over frozen lakes and rivers astride one of these raucous machines-on-skis. It doesn't do much for your eardrums, or for the tranquility that the brochures boast about, but it can be great fun for all ages. I came across a 70-year-old grandmother in a crash helmet, looking like a Hell's Angel. She told me it was the greatest thrill of her life.

She was one of many who book for snow-cat safaris on which you are guided over a variety of trails usually lasting several hours. A few cover more ground with different nightly stops. Even with ear muffs I think them a bit noisy, and I would settle for one of the reindeer safaris in which you ride in carriages. You do not go far but the peace is marvellous.

Several of these activities are centred on the Lapland capital, Rovaniemi, itself on the Arctic Circle. Its location had conjured up for me a vision of something not far removed from a Polar weather station. The reality was different.

The retreating Germans during the Second World War had burnt the old town to the ground, so the new one is very modern. It is also growing rapidly, with smart new buildings being added.

What caught my eye rather more was the frozen river that (in summer) flows through the town. To be exact, it was the people standing on its covering of hard-packed snow that caught my attention. They appeared to be performing some ancient Lappish ritual. How was I to know I was watching an ice-golf tournament?

Two years ago, frustrated at having to stop playing during the long winter, members of the local club decided they would turn the frozen conditions to their advantage. They laid a nine-hole course along the river using a snow plough normally used for making pistes. To their surprise it proved playable, given that the greens are "whites" – you must tee off for every stroke, and red balls are vital. So are long johns, thermal vests, insulated outer clothes, mittens and a thermos of hot toddy. Visitors so prepared are welcome to join in.

If the winters can be cold, the Lapland Finns' welcome is very warm indeed. What is more, many speak good English. It is almost as proficient as their ability to tango. Just why they should be mad about this dance I do not know, but they will perform it well into the early hours given half a chance.

Finland is not a cheap place to holiday, and booking a package deal is a necessary money-saver for most. Up to three flights a day are scheduled by Finnair between Helsinki and Rovaniemi and there are daily ones from Britain to the Finnish capital – so you do not need huskies to get you there. You can also travel by train between the two cities.

■ A list of British tour operators featuring Lapland can be had from the Finnish Tourist Office, 66 Haymarket, London SW1Y 4RF (tel. 01-839-4048).

Hotels set out to woo the lady executive

***Sarah Curtis** checks out a new emphasis on female guests*

A PLATE with an apple and an orange were the first items I noticed as I entered my room at the Merrion Hotel in Leeds. Full marks to the management, I thought, for the fruit confirmed the good impression made at the reception desk where they had found my reservation immediately and seized my case, offering to carry it to my room.

There, besides the ubiquitous television, radio and electric kettle, and the dish holding sachets of teas, coffees, sugars and biscuits, I discovered a letter addressed by the knowledgeable computer to Mrs Curtis.

"With the rise in Lady Executives staying with us," it explained, "we are endeavouring to meet all your requirements by furnishing these rooms with the little extras that will make your stay more of a home from home."

I made a quick survey to see what the extras were, eliminating the apple and orange which were presumably unisex. Hairdryers might be for men, too, but I was pleased to spy one placed strategically near the dressing table. The bathroom yielded goodies which looked definitely designed for women: nail polish-remover as well as a larger-than-usual collection of shampoo, hair conditioner, bubble bath liquid, hand and body lotion, shower cap and fluff remover (for clothes).

As a feminist, I suppose I should assign the miniature sewing kit to both sexes, but I suspect that it was intended for women. Besides the bed was the latest issue of a new women's magazine.

Those were the physical comforts; but my letter also offered me emotional support. "Mrs Curtis," it asked, "are you going to be dining alone?" The letter explained that the hotel was only too aware that some ladies found it a little daunting to eat alone in the restaurant. If I preferred, they could arrange a table in the quiet part of the restaurant. To take advantage of this offer, all I had to do was dial a number and ask for a Lady Table.

As it happened, I was meeting people for dinner; but had I been alone I would have preferred a central table with the chance of some eavesdropping on other people's conversations. Whether I personally wanted special treatment as a woman travelling on my own was besides the point. The offer was thoughtful rather than patronising, an attempt to individualise services.

Moreover, the concept is appreciated by most of the increasing number of female executives who stay at the hotel. Evidence for this comes from the customer questionnaires which more women than men fill in.

The Merrion belongs to the Mount Charlotte Hotels group, which owns 68 hotels with 9,000 rooms. The rise in the number of women travellers was first noticed about five years ago. The group also offers a non-smoking option in most of its hotels. (It finds that fewer women than men take the non-smoking offer).

The policy of fixing on women as a separate group is not espoused by all hoteliers. Why not the disabled, or children, or dogs, asked a spokesman from Trusthouse Forte, arguing that they all had special needs. It was the policy of his group to meet the individual requirements of guests of whatever kind. However, new systems of personalised electronic keys were increasingly being introduced to ensure proper security, which women particularly wanted.

Brian Yeaman, director of marketing for the Thistle group, echoed the Trusthouse view. Thistle, a subsidiary of Scottish and Newcastle Breweries, has recently spent £50m refurbishing its 33 hotels, improving the decor and lighting to suit all guests, including good lighting at the dressing table as well as in the bathroom.

What about the Savoy Hotel group, which owns London's prestigious Berkeley, Claridge's and Connaught hotels as well as the Savoy? Giles Shephard, its managing director, was firm that any guest in his type of hotel should be looked after in the best way possible. There were no separate business floors. "We don't think women want to be made to feel different from other travellers," he said.

In the introduction to the 1989 edition of the *Good Hotel Guide*, Hilary Rubinstein, the editor, has a paragraph on the plight of the single woman. There is now a Business Woman's Travel and an hotel in London for women: Reeves, at 48 Shepherds Bush Green. Rubinstein points out that it is illegal under the Sex Discrimination Act for an hotel to refuse to admit men, but it would be a determined sort of male who would impose himself in these circumstances.

It remains a moot question whether it is better services generally that women need (coupled, perhaps, with training in assertiveness), rather than special facilities. Meanwhile, the new awareness among hoteliers should give women travellers a better deal.

Lazy days on a peaceful peninsula

THERE MAY have been violence in Vojvodina and chaos in Kosovo but the Istrian peninsula, hanging securely from the top of the Adriatic, is a haven of calm. This is not the exotic Yugoslavia of mosques and Turkish bazaars; here one looks architecturally across to Venice and historically back to Austria-Hungary.

Opatija – alias Abazzia (Abbotsbury) – is the most urbane and convenient place to base oneself. With its sedate parks and gardens and crystal-clear Adriatic coastline, Opatija remains very much the Erholung resort which the Austro-Hungarian nobility started patronising a century ago.

Elegance on the cheap is one way of describing it, since the dinar is so weak as to make Yugoslavia almost a free country in tourist, if not political, terms.

Autumn or even early winter is the time to visit Opatija. It is warm and balmy rather than sweltering and the tourists, largely middle-aged and middle-European, merge tastefully into the milieu.

The Adriatic was as limpid as a lake the day I took the hovercraft and skimmed across to the islands of Rab and Krk. Rab offers a perfectly preserved medieval town and a decidedly Italianate feel – indeed, it belonged to Italy briefly in the heyday of irredentism just after the First World War.

Krk (variously pronounced as Kruk and Kirrk) can also claim a superlative distinction: it is the largest island in the Kvarner Gulf. It is also engagingly unspoilt.

If island-hopping is not to your taste, the road north from Opatija leads up to Slovenia, Yugoslavia's verdant economic powerhouse. A half-day excursion will take you as far as the caves of Postojna, a weird and wonderful labyrinth of lofty caverns reached by an underground railway.

The effect is Wagnerian, a Balkan Niebelheim. During the war the Germans used the place as a secret arms dump; then it was discovered and blown up by partisans. Happily, the stalagmites and stalactytes, with their message of eternity, continue to glisten in the endless subterranean galleries, dripping down the ages.

A full day's excursion will take in Bled and Slovenia's handsome capital, Ljubljana. Bled, close to the Austrian border, has become something of an official beauty spot, a tourist magnet with all the romantic ingredients of brooding lake reflecting snow-capped peaks.

Rijeka offers a contrastingly mundane impression of Yugoslavia. A short bus ride from Opatija, this bustling port and car-ferry terminal is almost the only place for miles around which is not a holiday resort. Rijeka is not beautiful but it is interesting, with its Triestino architecture and paucity of tourists.

Tourist revenue is more crucial than ever to Yugoslavia in its deepening economic crisis. Tour operators hope to introduce time-sharing schemes, but Article 28 of the constitution bars the sale of "national patrimony" to foreign capital. Nevertheless, economic necessity is likely to compel some liberalisation and, by next year, foreigners interested in time-sharing on the Adriatic could find the market open.

● *My visit was arranged by Phoenix Tours of London NW1 (tel. 01-485-5515).*

David Rudnick

LEGAL NOTICES

No. 00 of 1988
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF NSM PLC
- and -
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice, Chancery Division, dated the 7th November 1988 for the reduction of the share capital of the above-named Company from £38,994,560.38 to £34,209,850 and the reduction of the Share Premium Account of the Company by £32,044,883.72 and the Minute approved by the Court showing with respect of the capital of the Company as altered the several particulars required by the above-mentioned Act was registered by the Registrar of Companies on 21st November 1988.

Dated 30th November 1988

Clifford Chance,
Royex House,
Aldermanbury Square,
LONDON EC2V 7LD

Solicitors for the Company

Notice to creditors to submit claims

SHERRY SHIPPERS BV
(IN LIQUIDATION)

NOTICE IS HEREBY GIVEN that the creditors of the above named company, which is being compulsorily wound-up, are required on or before the 30th day of December 1988 being the day for that purpose fixed by the undersigned, Ian Douglas Barker Bond, of P O Box 207, 128 Queen Victoria Street, London EC4P 4JX, the Liquidator of the said company, to send their names and addresses and particulars of their debts or claims, and of any security held by them, and the names and addresses of their Solicitors (if any), to the undersigned, and if so required by notice in writing from me, the said Liquidator, are by their Solicitors or personally, to come in and prove their said debts or claims, and to establish any title they may have to priority, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved, or such priority is established, or, as the case may be, from objecting to such distribution.

Dated this 30th day of November 1988

I D B Bond
Chartered Accountant
Liquidator

LEGAL NOTICES

IN THE HIGH COURT OF JUSTICE
No. 008412 of 1988
CHANCERY DIVISION
IN THE MATTER OF
MEGGITT HOLDINGS PUBLIC LIMITED COMPANY
-and-
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 2nd November 1988 presented to Her Majesty's High Court of Justice for the confirmation of the cancellation of the Share Premium Account of the above-named company.

AND NOTICE IS HEREBY GIVEN that the said Petition is directed to be heard before the Honourable Mr. Justice Hoffmann at the Royal Courts of Justice, The Strand, London WC2 on Monday the 12th day of December 1988.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said cancellation of the Share Premium Account should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any person requiring the same by the undermentioned solicitors on payment of the regulated charge for the same.

Dated this 28th day of November 1988

Clifford Chance,
Royex House,
Aldermanbury Square,
London, EC2V 7LD

Ref: RWC
Solicitors for the above-named Company

IN THE HIGH COURT OF JUSTICE
No. 008658 of 1988
CHANCERY DIVISION
IN THE MATTER OF:
HEYWOOD WILLIAMS GLASS LIMITED
- and -
IN THE MATTER OF:
THE COMPANIES ACT 1985

Notice is Hereby Given that a Petition was on the 16th November 1988 presented to Her Majesty's High Court of Justice for the confirmation of the cancellation of the Share Premium Account of the above-named Company.

And Notice is Further given that the said Petition is directed to be heard before the Honourable Mr. Justice Hoffmann at the Royal Courts of Justice, Strand, London WC2 on Monday the 12th day of December 1988.

Any Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said cancellation of the Share Premium Account should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

Dated this 3rd day of December 1988

Ashurst Morris Crisp
Broadgate House,
7 Eldon Street,
London EC2M 7HD

Solicitors for the said Company

No. 006706 of 1988
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF
METAMEC JENTIQUE P.L.C.
and
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a petition was on the 18th day of November 1988 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the capital of the above named Company from £1,980,000 to £396,000.
AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr. Justice Hoffmann at the Royal Courts of Justice, Strand, London WC2A 2LL on Monday the 12th day of December 1988.
ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of hearing in person or by Counsel for that purpose.
A copy of the said Petition will be furnished to any such person requiring the same by the under-mentioned solicitors on payment of the regulated charge for the same.
DATED this 29th day of November 1988.
Berwin Leighton
Adelaide House
London Bridge
London EC4R 9HA
Ref: IL/M4875
Solicitors for the above-named Company.

No. 005599 of 1988
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF PERKINS FOODS plc
- and -
IN THE MATTER OF THE COMPANIES ACT 1985

Notice is Hereby Given that a Petition was on the 14th November 1988 presented to Her Majesty's High Court of Justice for the confirmation of the cancellation of the Share Premium Account of the above-named Company.

And Notice is Further given that the said Petition is directed to be heard before the Honourable Mr. Justice Hoffmann at the Royal Courts of Justice, Strand, London WC2 on Monday the 12th day of December 1988.

Any Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said cancellation of the Share Premium Account should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

Dated this 3rd day of December 1988

Ashurst Morris Crisp
Broadgate House
7 Eldon Street
London, EC2M 7HD

Solicitors for the said Company

BOOKS

Affairs of the hard-hearted

***Francis King** on the strange relationship between a poet and his Japanese mistress*

EDMUND BLUNDEN AND JAPAN
by Sumie Okada
Macmillan Press £29.50, 243 pages

KIPLING'S JAPAN
edited by Hugh Cortazzi & George Webb
The Athlone Press £14.95, 294 pages

Aki Hayashi: showing a willingness to be exploited by her lover?

THE TWO snapshots on the cover of Sumie Okada's book, subtitled "The History of a Relationship," sum it all up. There is the youthful Edmund Blunden, head on one side, displaying all the charm of a squirrel, timid yet importunate, as it edges towards a proffered nut. There is Aki Hayashi, her Japanese moon-face raised under an unbecoming Western-style hat in yearning self-immolation.

The couple met in 1925, when the 28-year-old Blunden, his first wife Mary and his two children left behind in England, was Professor of English at Tokyo Imperial University, and the 36-year-old Hayashi, dumpily plain by both Japanese and English standards, was a teacher of English at a Junior High School.

Since he was lonely and she had ages ago begun to despair of marrying or even acquiring a lover, it was not long before an affair had started between them, during which Blunden signed more than one undertaking to make her his wife, should he ever become free to do so. According to some Japanese, Hayashi eventually became pregnant and had to submit to an abortion, which counted for some at least of her subsequent bouts of ill-health. But Okada makes no reference to what may perhaps be no more than malicious gossip.

On his return to England, Blunden committed the folly – reminiscent of Shelley, whom he so much admired, in its impetuousness and unintentional cruelty – of taking the Japanese woman back with him as his "secretary." Once there, a secretary (without the inverted commas) is what she soon became, devilling away for him, year after barren year, in the British Museum Reading Room, while he married first a second wife and then a third, and became more and more perfunctory in his attentions and more and more dilatory in the payment of her meagre wages.

When she predeceased him, she left the carefully hoarded sum of £2,000 – all that she possessed after years of living in drab bed-sitters – to her adored employer in her will.

It is easy enough to criticise Blunden for the heedless egotism with which he exploited a no longer reciprocated love – reassuring Hayashi that, whatever his new marital dispositions, she would still have the privilege and honour of continuing to serve him.

However, where there is a willingness to exploit, there is almost always also a willingness to be exploited. There is the additional consideration that, had Hayashi succeeded in marrying a Japanese, her subsequent life, drudging away in a kitchen instead of in the Reading Room, for some man who no longer loved her, might have been even sadder and more arid.

Okada tells us everything that we need to know of this fascinating story. Indeed, she tells us it a number of times over, now repeating information already given, and now summarising this or that of Blunden's letters only subsequently to transcribe the passage in full. (Inexplicably and sadly, although there exist letters from Hayashi to Blunden, none is included). For English readers – although perhaps *not for all Japanese ones - such notes as* "Sir Osbert Sitwell (1892-1969), brother of Edith and Sacheverell Sitwell" or "John Clare (1793-1864), a rural poet who went insane in 1837" are surely not necessary.

Except in his classic *Undertones of War* and in some half-dozen poems, Blunden's writing and his lectures – the latter so popular in Japan that I more than once witnessed him, like some Victorian revivalist preacher, fill a huge hall to bursting with a rapt congregation – suffered from a deadening facility and lack of focus.

This same facility is to be found in the numerous essays about Japanese life which, during visits in 1889 and 1892, the youthful Kipling dashed off in a total of, literally, only weeks. But here everything is miraculously sharp, so that one sees, *for example*, a family party enjoying themselves in a tea-house at Arashiyama, or the misty entrance to Yokohama harbour, exactly as he saw it almost 100 years ago.

Unlike Okada's notes, those of Sir Hugh Cortazzi and George Webb are full of unfamiliar information, to provide a model of scholarly and scrupulous editing.

Fiction

Priestly imperfection

LOOK HOW THE FISH LIVE
by J. F. Powers
The Hogarth Press £5.95, 190 pages (paperback)

WHEAT THAT SPRINGETH GREEN
by J. F. Powers
Chatto & Windus £11.95, 335 pages

THE UNEDUCATED Catholic and the sophisticated psychoanalyst are often on a par when it comes to sniffing out multi-layered and adulterated motives, and the American short story-writer J. F. Powers is at his best when depicting this unique skill that Catholicism develops.

Although the republished *Look How the Fish Live* contains more stories on secular subjects than his two earlier collections, his settings are still mainly the humdrum life of rural parishes, and his characters are priests for whom the perfectionist awareness of unavoidable imperfection has induced, and finally been abandoned for, a shoulder-shrugging complacency to the unavoidability of sin.

In *Wheat that Springeth Green*, only his second novel, Powers, rather than merely showing the end-product of the capitulation to worldliness, as in his little cameos of priestly life, is able to trace its gradual development in the case of one particular priest, Joe.

As a young seminarian, Joe avidly pursues sanctity, but soon encounters the traditional dangers – spiritual pride, competitiveness with the more easy-going, therefore jealous, seminarians, disobedience to superiors, and sloth. Yet the clear-sightedness with which Joe's self-questioning scorpions back on himself also enables him to foresee that ultimately he, like other old priests, will abandon spiritual struggles for the metaphorical hairshirt of disillusionment. He does indeed settle into less than perfect priesthood, which he comes to feel is merely a job, not a crusade.

It is easy to be sneering, sensational or stereotyped on this subject, but never for a moment does Powers convey the layman's mean-hearted triumph at supererogatory virtue laid low. The priests in Powers' stories are outrageous only in their spiritual mediocrity, at most culpable of petty greed and careerism, mainly of omission, and in the novel he has scope for a richer, less stereotyped treatment.

Joe is shown to lose priggishness as well as spirituality, and, for all his rueful self-indulgence in food and drink, he remains stringently clear-sighted on important issues, doggedly carrying out his pastoral duties and taking gracelessly unpopular stands against the Church's specious fund-raising tactics and the Vietnam War – a minor hero, partly because so self-hatingly unaware of his heroism.

As well as the age-old priestly problems, dilemmas are thrown up by the Church's modernisation and Powers' understated humour is well-employed on the new spiritual tightrope which catapults its priestly walkers into folly yet more deviously than the old one. His story updating the Pharisee and publican parable shows that the traditional priestly role is riddled with hypocrisy and sanctimoniousness, but also that the trendy priest has merely opted for a new form of sanctimoniousness, plus an obsequious, tendentious pragmatism. He has thus become doubly pharisaical, like Conklin, the ex-priest in the novel, who is praised for his (effortless) honesty in proclaiming loss of faith, although this is really laziness.

Powers also subtly shows how the old danger of getting seduced by outer form can be merely transposed in the apparent flouting of it. "What's so relevant about saying Mass in a barn in Belgium?" demands a disillusioned older priest of an idealistic young curate in *One of Them*.

In *Wheat that Springeth Green*, Powers shows faults predictable after 40 years' concentration on short-story writing. He tends to present Joe's life in brief tableau blasts, milestones rather than continuous charting. And, richly portraying Joe's inner world, he neglects the outer world of parish and parishioners, although, by the last chapter, the episodic narrative has somehow successfully provided a cumulative sense of this.

One of Powers' gaps, unusual in a tackling of Catholicism, is sex. How did Joe cope with his extraordinary pre-priestly sexual prowess, and what about the sexual problems of other priests and parishioners? Monsignor Holstein's comment on the second Kinsey report, that "only an old priest with years of experience in the confessional should write such a book, and he wouldn't," gives Powers' readers a tantalising sense of what he, like the old priest, might have written.

Jane O'Grady

A detail from a painting by Jack B. Yeats entitled "A Cleric" (1913), from the cover of Powers' stories

Durrell and his idol

THE DURRELL MILLER LETTERS 1935-1980
edited by Ian S. MacNiven
Faber & Faber £17.50, 528 pages

IN AUGUST 1935, when Lawrence Durrell was 23 and living in Corfu, a neighbour named Barclay Hudson introduced him to Henry Miller's *Tropic of Cancer*. Durrell's reaction is reminiscent of Emerson's own first encounter with the work of Whitman. He wrote to Miller in Paris praising what he called "a really man-size piece of work": *Tropic of Cancer* was the "final copy of those feeble, smudgy, rough drafts – *Chatterley, Ulysses, Tarr*."

Somewhat stunned, Miller replied, telling Durrell that he was the "first Britisher" who had written him an intelligent letter about his book. What he particularly appreciated was Durrell's: "I seemed to recognise it as something . . . we were all ready for." Durrell wrote back comparing Miller with Villon rather than, as had been suggested, to the Elizabethans. Like Villon, Miller gave the impression of having "a hard immunity to life."

It is interesting that one of the most subtly sophisticated of our novelists should be the first to praise the artlessness of Miller's prose. Miller is, in Philip Rahv's categories, a "redskin." A successor not only of Whitman but of Mark Twain, a skilled user of the vernacular for literary affect.

Durrell, a son of the Raj and *schooled in the upper-class* England of the 1920s, could not be expected to be as familiar with this American tradition as he was with European modernism – which is partly why Miller's work was so fresh and new to him.

But only partly. Whatever the merits and demerits of Miller's near-pornographic subject-matter, there is a lovable quality about the man which is irresistible. For all of his apparent use of women as sex-objects, Miller could never have said, as Durrell did: "Women are merely a tiresome interruption; they are convinced they are personalities whereas they are simply the collective illustration of a biological need or a universal principle."

For Durrell, Miller seems to have been both father-figure and pupil. He is full of suggestions for promoting Miller's work. Yet this lad in his early 20s felt free to say to the renowned writer in his 40s: "Listen, Miller . . . to have art you've first got to have a big personality. What I propose to do . . . is to create my heraldic universe quite alone. I am . . . carefully and without any conscious thought destroying time."

From the beginning, Miller was interested in seeing Durrell's work. Durrell was shy in spite of the fact that he had one novel published by Cassell and another accepted by Faber. Finally, he sent Miller his only typescript of *The Black Book*. Miller responded enthusiastically and from then on they were were on equal terms.

In August 1937 Durrell took his first wife, Nancy, to Paris where he virtually took over the Miller circle. In 1938 he lured Miller to Greece, where he was feted by George Seferis and other writers. And so *The Colossus of Maroussi* was born.

Miller was still in Greece when the Second World War broke out, so perforce he had to return to the US. Durrell stayed on, leaving Athens only three days before the German armoured divisions arrived on April 25, 1941.

The great events of the 1940s for the two men were Durrell's love affair with Alexandria and Miller's rediscovery of America. The first produced *The Alexandria Quartet*; the second *The Air Conditioned Nightmare*. Durrell fell in love with Eve Cohen, later to become his second wife, and Miller – now in his 50s – married his third wife, the 20-year-old Janina Lepska.

In 1945, Durrell managed to get himself posted to Rhodes as public information officer, taking Eve with him as his secretary. The 1950s see Durrell resigning from his highly paid position as press secretary in Belgrade, writing *Bitter Lemons* in a Cyprus torn by Eoka bombs, and completing two more novels. By the end of the decade, he is living in Mazet Michel near Nimes with Claude, his third wife.

The troubles which beset Miller in the 1960s and 1970s did not prevent him marrying for a fourth and fifth time and continuing to write as much as ever. Durrell, too, married again for the fourth time when Claude died. Their friendship continued until Miller's death in June 1980 at the age of 88.

Ian S. MacNiven tells us that he has culled 210,000 words out of a million-word correspondence and the result makes impressive reading. Short of seeing the whole million words, however, it is impossible to judge how skilful he has been.

What does emerge from his selection is the record of a quite extraordinary friendship between two likeable as well as talented people. There is more unburdening of ideas than of confidences, which may, of course, be the result of MacNiven's editing. The only slightly jarring note is the degree to which Durrell goes on about prizes and rewards and the faint sense that both know that they are writing for posterity. Perhaps the next best thing to being a genius is to act like one.

Geoffrey Moore

A life on the good ship Lollipop

SHIRLEY TEMPLE: AMERICAN PRINCESS
by Anne Edwards
Collins £15.00, 442 pages

MRS CHARLES Black is a co-founder of the National Federation of Multiple Sclerosis Societies, a Dame of the Knights of Malta, a director of five companies, a former US Ambassador to Ghana, a member of the US delegation on African refugee problems at Geneva. She is also, as the world will not let us forget (however much she herself may resent it), Shirley Temple.

Politics began when her husband (the second) was posted to Washington DC during the Korean war. She campaigned for Nixon's candidature against Kennedy. She stood for a Republican congressional seat (and was soundly beaten). She thought Nixon would give her a Cabinet post as a reward for her work in the 1968 election, but he just made her a member of the US delegation to the United Nations. It was left to Gerald Ford to make her an ambassador. And wherever she was appointed, the papers insisted on "the former Shirley Temple," or "the one-time child star."

I suspect her two lives were much the same. "I went to work at the age of three," she used to say, and her early acting under her mother's discipline was work rather than art. Her mother, Gertrude Temple, would teach the child her lines and gestures overnight, control her contracts, restrict her company. Not until she was 13 (when she was told her real age, a year above her public age) was she allowed friends of her own.

Mrs Black might still be just a grown-up Shirley Temple. *Compare*: this is how she appeared to Graham Greene in the famous *Night and Day* review of *Wee Willie Winkie* that led to a libel action (the book reprints it in full): "Watch her swaggering stride across the Indian barrack-square . . . watch the way she measures a man with agile studio eyes . . . adult emotions of love and grief glissade across the mask of childhood." (See the sophistication in the stills in this book.)

Then: "Her walk was clearly reminiscent of her 'strutting' gait in the movies," commented her political colleague, Kenneth Bache, 40 years later. "Her intonation was certainly recognisable from the old films."

Film buffs will find all they want in the first 200 pages of this solidly-researched book, with its plethora of everyday detail, every quote authenticated in one of the seven appendices. But Shirley Temple lived in an artificial world; she never even knew what libels she had suffered (an American version was that she was a midget with a seven-year-old daughter). Then she grew up quickly, becoming engaged to John Agar, her first husband, as soon as she graduated from school. That marriage lasted two years; the second, to Charles Alden Black, is still going strong.

Mrs Black gets only 150 pages. She seems as ambitious as Julius Caesar, interested in current affairs of an environmental or humane kind, a good mother and, one would guess, a nice woman. Anne Edwards does all she can to suggest that there is more in her than a modest politician; but the less she is Shirley Temple (who is, in fact, not so intriguing as her mother), the less interesting she becomes.

B. A. Young

Piggyback with Adolphe Menjou: a scene from Shirley Temple's film *Little Miss Marker* (1934)

Crime

COLD RAIN
by Victor Tapner
Grafton £11.95, 288 pages

THE ENIGMA VARIATIONS
by Jon Thurley
Viking £11.95, 217 pages

MISS MELVILLE RETURNS
by Evelyn E. Smith
Collins £9.95, 248 pages

LIKE SO many spy thrillers, Victor Tapner's new novel, *Cold Rain*, has a large cast of characters, and the distracted reader might at first have a little difficulty telling them apart. It is hard, too, to tell the good guys (few) from the bad guys (numerous). But the writing is vivid, the pace is brisk, and the central figures – a Russian sleeper and the women assigned to keep an eye on him – become sympathetic and exciting. Lots of knowledgeable detail, and a suitably bleak, chilling conclusion.

Once again, in *The Enigma Variations* by Jon Thurley, the Establishment comes off badly. The Department of Dirty Tricks in Britain seems to work long hours, and apparently some of the country's most distinguished figures positively relish treachery – all for the best patriotic reasons, of course.

Happily, there are a few human beings left, and in the end they triumph (although not without terrible personal losses). The contrast between sunny lawns and elegant lunches on the one hand, and staged accidents and brutal shooting on the other, is constant and effective.

Susan Melville, the respectable lady turned hired gun in Evelyn E. Smith's début novel, has now, in *Miss Melville Returns*, gone straight and is a successful painter. Still, she hasn't lost any of her skills and she employs them in this rather loose-jointed but supremely enjoyable story of New York art galleries, Hispanic drugs, and eccentrics of high and low degree.

William Weaver

The model of a maiden

GRACE HAD AN ENGLISH HEART
by Jessica Mitford
Viking £14.95, 175 pages

ON THE night of September 6/7, 1838, the *Forfarshire*, a very grand luxury steamer, sank off the coast of Northumberland. Nine people escaped in a lifeboat and were later rescued.

When the light and tide were on their side the lighthouse-keeper, a Mr Darling, and his 22-year old daughter, Grace, put out to sea in their small rowing boat. They collected the remaining survivors and Grace attended to the injured and shocked.

According to the rather terse entry in Mr Darling's log book, 19 survivors and boatmen were imprisoned in the lighthouse for three days by the stormy weather.

News of the rescue reached London four days later, probably based on sensational reports which had appeared in Scottish newspapers. As yet, there had been no mention of Grace Darling and the part she played in the rescue attempt.

It was a Northumbrian newspaper which first gave credit to her for her brave conduct. *The Times* picked up the story on September 19 and Grace was soon acclaimed as a heroine. Jessica Mitford's book marks the 150th anniversary of these events.

Grace was really a very ordinary, modest, single maiden; but after "The Deed" (as it is still reverently called), her life at Longstone lighthouse was disrupted severely as she was pursued by artists, suitors and admirers.

In the spring of 1842, Grace took a break to visit her sister and caught a severe chill, from which she never recovered. She died soon after of consumption.

These events occurred, of course, early in the reign of Queen Victoria, the hallmark of which was virtue. Every Victorian mother encouraged her daughter to model herself on a heroine who was a perfect example of womanhood.

Grace Darling epitomised the English Victorian maid: not only did she have the face and the nature but also a name to fit the bill perfectly. She was virginal, gentle, modest and destined to die young. As Jessica Mitford puts it succinctly, she was the right girl, in the right place, at the right time, to usher in the Victorian era.

The 19th century discovery of transfer printing was instrumental in making the story of Grace Darling into a fairy-tale. Pottery manufacturers took great advantage of it. Later in the century, girl's annuals and magazines began to proliferate and tended to concentrate on virtue and its reward. The event was celebrated in song, on page and on stage.

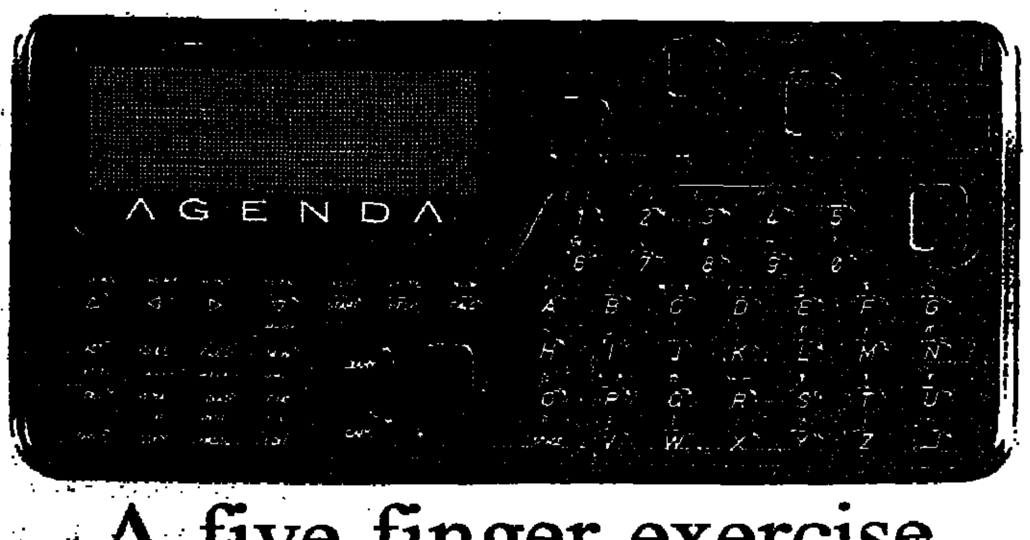
The author has researched the legend enthusiastically and thoroughly and shared each discovery with us. Aiming to put the record straight, she has pointed out where "accuracy has suffered" and when facts were embroidered extravagantly.

She has treated us to a visual feast of exaggerated etchings, fanciful conceptions of the rescue, and sketches of the young girl with flowing locks rowing manfully in turbulent waters towards a distant wreck.

But, above all, Jessica Mitford, in her inimitable humorous way, has managed to entertain and interest us with a story of "a good girl about whom a lot of nonsense was talked."

Lucinda de la Rue

DIVERSIONS



A five-finger exercise

Eureka! Mini organisers

DON'T WORRY if your fellow train passenger starts fondling a big black calculator in a rather intimate way. He's just using a special technique to make notes on his electronic organiser called the Agenda. The British-designed Agenda is the second incarnation of a clever but commercially disastrous hand-held word processor called the Microwriter. These hideous-looking contraptions looked like something designed by the NHS for people with finger problems.

The idea was that you could sit anywhere and write your letters using a new way of typing on a five-finger keyboard. At the office, the Microwriter was connected to a printer and out came your letters.

Brilliant. But the idea did not work for two main reasons. First, it required buyers to learn a new way of typing. Although Dennis Norden said it was easy in the advertisements, nobody really believed him. Second, and more important, the people who were important or rich enough to own a £500 Microwriter were not the sort who typed their own letters. They had secretaries.

Sir Mark Weinberg, of Allied Dunbar, was behind the project and his enthusiasm helped to sell about 15,000 Microwriters, many to his own staff. About five years and £1.5m later, Weinberg has returned with the Agenda. It combines the power of the Microwriter with an electronic organiser that includes a calculator, diary and a filing system for notes, contacts and lists.

It is obvious immediately that a lot of thought has gone into designing the software and the actual casing. There are plenty of dedicated keys to help you do the various jobs for which the Agenda is designed. For example, a large key labelled "diary" opens your diary and one called "start" gives you a list of things the machine can do.

The Agenda differs from its competitors because there are two ways in which information can be typed in: via a conventional calculator-type keypad of numbers and figures, or by using the five-finger keyboard found originally on the Microwriter.

The problem with conventional keypads of this size is that the keys are small and extremely close together. This makes it a rather slow and laborious process to type in reminders, diary entries and contacts lists, especially if you are on the phone. The Agenda's main rival, the older but also British-made Psion Organiser, suffers from this problem, as do the Japanese versions from Sharp and Casio.

Consequently, electronic organisers have been successful only with the sort of people who enjoy the challenge of prodding at small plastic blocks. But the Agenda has the technology to overcome this problem: the five-finger keyboard. Its success depends on persuading enough people that it is easy to learn to type in this way.

The method is similar to learning basic chords on a guitar. You place your right hand (left-handers will find this more difficult) over the large, slightly-raised keys. Individual letters are formed by depressing various combinations of keys, roughly approximating the form of the letter. It's a similar principle to speedwriting.

Now that sounds difficult. But if you are willing to learn, and the will is important, then the typing is picked up quite quickly.

Should you bother? It's difficult to beat pencil and paper for convenience, cheapness and speed. We are also used to the spatial sense of ideas and appointments laid out on paper. While an electronic organiser offers some real plusses there are drawbacks

For example, the ability to see your weekly or monthly schedule on a page of a diary is lost on the small screen of an organiser. Yes, you can see what you're doing at 10.30am next Monday but, without hitting keys, you don't know what you're doing next. The information can be printed; but if you like browsing through notes and scribbling on action lists and schedules, then stick to pencil and paper.

The Agenda is a business tool that can help you get ahead – as long as you really want to get there

The basic model costs £175 (including VAT). More from Microwriter on 01-685-0300.

Peter Knight

Peter Knight is editor of Fintech 2 – Electronic Office

Chess

DESPITE off-board bickering between world champion Kasparov and ex-champion Karpov, the grandmasters from *the Soviet Union dominated* the chess olympics at Thessaloniki which ended earlier this week. Kasparov himself scored *seven points from his first* eight games on top board, including a 23-move win over Nigel Short in the USSR's 3-1 victory over England. Three points clear with three rounds to go, the Russians were coasting.

England, seeded second, proved too erratic to match their sustained challenge of 1986. As early as round two, they scored only a 2½-1½ margin against the host nation, Greece, and following their loss to the Russians they were upset 1½-2½ by India. The silver medals of 1984 and 1986 looked remote, but then they recovered strongly. At the end Russia won the gold medals, England the silver and Holland the bronze.

Meanwhile, the K v K *personal feud has developed into a* political battle for control of the world championship, major international tournaments, and possible development of chess as a televised spectator sport. The Grandmasters' Association (GMA), the president of which is *Kasparov, has announced an* open event in Belgrade immediately after the olympics and expects around 100 GMs, a *record for a single tournament, to compete. Prizes will include* places in the GMA's successful World Cup circuit.

At the same time Karpov, *travels to Mexico for the International* Chess Federation (FIDE) world finals in quick-play chess at half an hour per *player per game. The GMA is* trying to set up its own quick-play circuit, but is opposed to FIDE's readiness to allow players in fast time-limit events to qualify for GM and international master titles.

Both organisations have powerful backers: *FIDE, the* traditional body, has the support of most government-backed chess federations including the USSR, while a major influence in the GMA is Bessel Kok, head of a Brussels-based international banking transfer organisation, SWIFT. This particular global game could run for years before either side concedes defeat.

England made a sober and careful recovery from their poor start in the olympics. Nigel Short aims patiently for a won ending, but the game is aborted when White unexpectedly exceeds the time limit.

White: U. Andersson (Sweden).

Black: N.D. Short (England).

Queen's Gambit Declined (Thessaloniki 1988).

1 N-KB3, P-Q4; 2 P-Q4, N-KB3; 3 P-B4, P-K3; 4 N-B3, B-K2; 5 B-N5, P-KR3; 6 B-R4, O-O; 7 P-K3, P-QN3; 8 R-B1, B-N2; 9 P-QR3?

Tame, and a slight but significant weakening of White's pawn front. Normal play is 9 PxP at once, when if NxP; 10 BxB.

9 ... QN-Q2; 10 PxP, PxP; 11 B-K2, P-B4; 12 O-O, N-K5; 13 BxB, QxB; 14 PxP, NxN; 15 RxN, PxP.

Black has the "hanging pawns" in the centre which can be weak if he is on the *defensive but also have* chances for dynamic advance. If White had played normally earlier (eg B-Q3 instead of B-K2, and no P-QR3), he could now continue actively by Q-N3-R3, planning to double rooks and B-B5 to pressure the pawns.

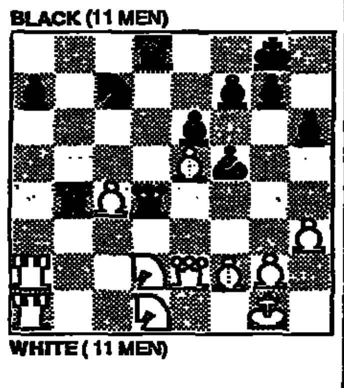
16 Q-B2, QR-N1; 17 R-B1, B-R1; 18 P-QN3, KR-K1; 19 B-B1, Q-Q3; 20 Q-Q1, KR-Q1; 21 N-Q2, P-Q5! 22 N-B4, Q-KB3; 23 R-Q3, N-B1; 24 P-QN4?

Black already has ideas like N-N3-R5-B6 ch, so White hopes to trade a pawn down – but his plan is too optimistic.

24 ... PxNP; 25 NxP, PxP; 26 PxP, RxR; 27 QxR, RxP; 28 R-B8, B-N2; 29 N-Q5, BxN; 30 QxB, QxR; 31 P-N3, P-N3; 32 Q-B6, R-Q5; 33 Q-QB3, R-Q8; 34 Q-B4, P-QR4; 35 R-R8, Q-N5; 36 Q-R6, K-N2; 37 Q-K2 (if 37 QxP? Q-QB5), R-K8 and White lost on time.

The control was at move 40, so to overstep in a simplified *position looks like carelessness* and the Swedish team captain cannot have been too pleased with his top board. After 38 Q-R5, R-K4, Black prepares gradually to advance his extra pawn, but it is a slow process due to the latent threat (Q-QB8) to his rear rank.

BLACK (11 MEN)



WHITE (11 MEN)

J. E. Littlewood v C. Baker, Lloyds Bank Northern Invitation 1988. Material is level in this diagram between two British experts, and White plans N-KB3 when Black's weak QRP is under pressure. What should Black (to move) play next?

Solution Page XXII

Leonard Barden

Churches need saving, too

Roy Hodson reports on a crusade

CHURCH IN DANGER, the new Anglican lay pressure group, fears that the Church of England could break into quarrelling groups. That is a matter for its active members. But the care and protection of the parish churches *themselves* is a matter of concern for Christians and non-Christians everywhere who share a love for the *English countryside and its* adornment by handsome Saxon and medieval buildings set like jewels in the landscape.

Considering the multiplicity of temporal threats to the continued existence of England's parish churches, it is a minor miracle in itself that 16,500 of them still survive as reasonably well-maintained active places of worship and the focal points of countless villages.

The hazards faced by the average country church are many. Even more serious than nature's dangers of fire, flooding, storm damage and dry rot are the depredations of man.

More than 4,000 churches, says *the Council for the Care* of Churches, are attacked by thieves and vandals every year. Churches are stripped *regularly of their lead roofs,* broken-into, robbed or defaced.

Nor can every church expect tender loving care from its nominal guardian, the Church of England parson. A vocation for the cure of souls does not necessarily carry with it an enthusiasm to minister to an ancient and crumbling building.

John Bowles, secretary of the Redundant Churches Fund, pulls no punches: "The clergy are a problem. They are a more extreme version of the employees of any organisation. Some of them hate buildings and don't see the need for them at all.

"They are not trained to look after buildings or deal with money. And the minority who are good at this administrative side of their responsibilities tend to be grossly overworked."

All these threats to parish churches were well understood 20 years ago when the Church of England acted to tackle the related problems of too many churches, too few clergy, and too little money to support both clergy and the church buildings adequately.

It was decided that the clergy must come first. A parish is expected to make its proper financial contribution to the diocese a priority over and above keeping the rain out of the nave. But a pastoral measure for the care of churches was devised by the church authorities, approved by Parliament in 1968, and revised in 1983.

Some of those close to the church bureaucracy go so far as to say the pastoral measure was brilliant. Certainly, since its inception more churches have been kept open than church leaders thought would be possible back in 1968 when there were 18,000 parish churches in England and the church was groaning under the strain of having to look after too many buildings. Churches were being declared redundant at a rate of more than 100 a year and most of them were being converted to other uses or pulled down.

The rate of redundancies has since halved to only 50 per annum and is continuing to fall year by year. The turnaround is a tribute to the new measures, and to the tenacity of so many congregations and individual campaigners who have fought the ravages of decay (and, sometimes, the local clergy at the same time) to keep their churches open.

The future for country churches, in particular, now looks brighter than it has at *any time this century because* of several factors – some of which have emerged only recently – which are now *starting to work together.*

The level of state aid provided to churches in use, through the agency of English *Heritage, has risen steadily.* Last year, £4.7m was offered in grants to 322 churches. The weak facet of this financial help package is that English Heritage is really interested only in outstanding buildings.

Although 12,500 of the 16,500 parish churches are listed buildings, only 2,600 of them are in the top grade. But the Government and English Heritage may be persuaded to scatter their seed more widely in the future.

More government help is to be forthcoming to maintain redundant churches. Until now, the Redundant Churches Fund has been taking a dozen churches under its wing each year. For the next five years from 1989, the Department of the Environment will increase its contributions to 70 per cent of the fund.

The rest of the money will be found by the Church Commissioners and contributions from local authorities, other bodies, and public donations.

The fund will have nearly *£13m to spend over* the quinquennium, which will enable it to care for the 250 churches already in its charge and to add a further 60 churches or so if the need arises.

The number of churches declared redundant each year *is expected to continue to* fall as parish interest revives in many English villages. And it is dawning upon the Church *authorities (even upon some of* those clergymen who have sometimes been heard to refer scathingly to church buildings *as their "plant")* that if the Church of England is here for the long haul, it must keep its buildings as centres of excellence.

The quickening pace of economic change in Britain in the past two decades, the industrialisation of rural areas, the rebirth of old industrial areas, and the new mobility of the population, is having a notable impact upon the thinking of the church authorities.

Those demographic trends have taught the Church authorities that quiet country churches should properly be regarded as slumbering assets rather than old and expensive-to-maintain relics. Today's unwanted church could be at the centre of a scheme for a new township next year.

The Church of England is taking a national initiative over country churches. It has already produced a report on urban churches and is now acknowledging that rural churches have problems, too. The archbishops of Canterbury and York have just set up a *commission on churches in* rural areas under the chairmanship of Lord Prior, the former Conservative Cabinet minister.

In the ever-widening south of England commuter belt, parish churches are enjoying a revival in their fortunes as "weekend" villagers take them to their hearts. The newcomers are not always motivated by religious zeal. A considerable proportion of them are interested in their village churches almost exclusively as historic and beautiful buildings.

It doesn't really matter. Whatever the motive, the parish church is the gainer from their support. There are signs, too, that similar sentiments are starting to have an impact in East Anglia and other rural areas which are enjoying an upsurge in prosperity. But a great deal more could be done to save parish churches.

Lady Harrod, aged 76, widow of the economist Sir Roy Harrod, leads an unofficial movement which is designed to goad the Church of England into doing more by strong example. Her power base is Norfolk, where there are 659 churches – the highest density of any part of rural England. Most of them are splendid examples of medieval church building when ample money was provided by the wool trade.

She says: "I got steamed up when the clergy in this diocese were very frightened about the future and were prepared to sacrifice the churches." Her Norfolk Churches Trust has saved 10 churches in the diocese from redundancy by leasing them for a "rose rent" (for nothing) from the Church of England and raising funds to keep them in good condition at a cost of approximately £20,000 a year per church.

"It is an awful sweat getting money but it can be done," says Lady Harrod, who campaigns from her home – appropriately, an old rectory. The trust also provides money to help keep churches open.

Suffolk now has a similar group of activists and Scottish church-lovers are interested in forming a preservation society. The movement could yet go national if the tide of support for it continues to rise.

The Historic Churches Preservation Trust exists already to save churches which are regarded as having particular merit for architectural or historical reasons. Lady Harrod and her supporters have a broader, simpler objective. They want to save all endangered country parish churches.

■ *Useful addresses: Church Commissioners, 1 Millbank, London SW1 P3JZ, 01-222-7010; Redundant Churches Fund, St Andrew by the Wardrobe, Queen Victoria St, London EC4 V5DE, 01-248-7461.*

Council for the Care of Churches, 83 London Wall, London EC2 M5NA, 01-638-0971; Norfolk Churches Trust, The Lodge, Millgate, Aylsham, Norwich, Norfolk NR11 6HX.

This village church at East Leach, now in the charge of the Redundant Churches Fund, is used sometimes for services

Bridge

MY FIRST hand today comes *from teams-of-four*. Look at Correcting the Skid:

N
♠ 8 4 2
♥ 10 7 6
♦ A Q 6
♣ A 8 5 3

W
♠ K 10 9 7
♥ —
♦ 9 4 3 2
♣ J 10 9 4

E
♠ Q J 6
♥ Q J 5 2
♦ 8 7 5
♣ Q 7 2

S
♠ A 5 3
♥ A K 9 4 3
♦ K J 10
♣ K 6

With both sides vulnerable, South dealt and started with one heart. North has a difficult response – there is something to be said for two clubs. That will lead South to rebid three no-trumps and this will be made, whatever lead West chooses. In actual play North bid two hearts, and South's jump to four hearts ended the auction.

West opened with the knave of clubs, taken by the king, and declarer cashed the ace of hearts on which West dropped the eight. The right continuation is a low heart towards the table. West shows out, and dummy's 10 loses to East's knave. The declarer wins the club return with dummy's ace, picks up East's heart queen by finesse and makes 10 tricks.

Uncharacteristically (for he was a good player), South cashed his king of hearts at trick three and now had to lose two trump tricks. However, pulling himself together, he crossed to the ace of clubs, ruffed a club with the three of hearts, then made the king, ace and queen of diamonds and played dummy's last club.

East was helpless. If he ruffed, declarer would discard a spade and score one of his trumps later. If he discarded, South would make another ruff immediately and his ace of spades would provide the 10th trick.

Full marks to South for his recovery. He was lucky: ordinary mortals do not often get the chance to recover from a bad mistake.

We turn to rubber bridge of mediocre standard:

N
♠ A 5 2
♥ Q 6 2
♦ A K J 10
♣ 9 4 3

W
♠ J 9 7 3
♥ 8 3
♦ 9 5 2
♣ A J 10 5

E
♠ K 10 8
♥ 7 5 4
♦ 7 6 4 3
♣ Q 8 2

S
♠ Q 6 4
♥ A K J 10 9
♦ Q 8
♣ K 7 6

North dealt at a love score and opened the bidding with one diamond, to which South replied with one heart. North said one no-trump, South rebid three hearts, North raised to four and all passed.

West led the three of spades, the two was played from dummy, and the king won. East decided (correctly) not to return his partner's suit but switched to the two of clubs. The declarer played low, West won with the 10, cashed the ace and that was the end of the defence. The rest of the tricks belonged to South.

"Well played," said North. Do we agree? Of course not. To risk the spade finesse at the first trick was infantile. The declarer should win with dummy's ace and draw the trumps, then cash four diamonds (discarding two clubs or two spades). If he chooses clubs and leads a spade from the table, he makes 11 tricks. If he chooses spades, he just makes his contract.

"Why infantile?" you ask. Because an East with any intelligence would return not the two of clubs but the queen. That prevents declarer from ducking with any advantage and defeats the contract.

As happens so often in an average game, one mistake cancels another and both go unrecognised.

E. P. C. Cotter

■ *Because of a shortfall in last Saturday's print run, some readers may not have seen the details of the annual literary competitions. These may be obtained by sending a stamped addressed envelope to Mrs L. de la Rue, Weekend FT, Bracken House, 10 Cannon Street, London EC4 4BY.*

FASHION

When large can be lovely

Lucia van der Post on how the fuller figure can dress to kill

WE MAY think them voluptuously curvaceous – "Rubenesque" might be the word – but, to the fashion industry, it seems that anybody larger than a stock size 16 is regarded almost as a freak. Quite apart from the lack of kindness in expecting all humankind to come in packages that are convenient for manufacturing and retailing purposes, it seems to make no commercial sense. Some 13m women in Britain – nearly half of the female fashion-buying public – are thought to be a size 16 or more. Why does nobody do more to cater to their needs?

It was a *cri-de-coeur* from two readers that made me realise how badly served they are, and which set me looking for clothes to enhance and not depress those endowed with more ample curves. Both readers felt passionately that they were neglected by the manufacturing and retailing powers-that-be and both were in considerable despair about ever feeling adequately, let alone glamorously, clothed.

"Is it some kind of moral judgment on we fatties," wrote one, "that the likes of Marks & Spencer are so half-hearted in their efforts to cater for us? 'If you cannot get into our clothes, you had better slim until you can,' seems to be the attitude! Evans must be laughing all the way to the bank. They have a virtual monopoly as the only multiple retailer catering for large women. What a pity their products are of such variable quality. If Marks & Spencer really tried, it could produce a size 18 dress for £35 which would knock spots off the best of Evans at £60 to £100.

"Now women are beginning to accept themselves as individuals, it is no longer enough to tell them just to restrict their food intake. I am a prime target for any retailer – moderately high-earner, no dependents. Whether manufacturers and retailers like it or not, large people are becoming more vocal about what they want. Companies should wake up to our needs and their opportunities. But we live in hope. Tubbies of the world unite! Send back those store credit cards and take up dressmaking like me until we get some results! At least pattern makers have got their act together."

The second reader sounded even more demoralised. "Shopping for clothes," she wrote, "has always been infinitely depressing. I can almost guarantee that whatever I buy won't fit. I hate trying things on in shops. I think it very undignified to struggle out of your clothes in some dingy or cruelly lit dressing-room. So I take chances on things. I am a size 16 but sometimes a bit bigger on the hips, although size 18 looks ridiculous on me.

"I am, like many women, a victim of the in-between size. God help you if you pluck up enough courage to ask if a shop has a particular style in a bigger size. They are always 'over there' in a rack of dresses in strange shapes and weird colours. Or you get 'we don't stock that size here' – ever felt like a leper? There are only a few shops where I know that size 16 means my size and where I like the look of the clothes. One is Laura Ashley, another is Marks & Spencer.

"The next problem is to find something that one likes. It is getting better, but what still amazes me is the extraordinary shape one is presumed to be! Why is there such a lack of shape? Many larger people have lovely curves – bigger curves, but still lovely – that are hidden by these appalling tents they are forced to wear. Clothes for bigger people tend to be shapeless or strangely made, often in poor fabrics, in odd colours and with no attempt made to adapt them to current fashion moods."

The second reader, Nel Martin, came to work for me temporarily and turned out to be a great beauty. Large she certainly was, but beautifully large, as you can see from these photographs. I decided to see what could be done to give her the kind of clothes her youth and beauty deserved.

We turned to Marina Rinaldi, a division of the Italian fashion group MaxMara – which is committed to the idea that big can be beautiful – for help. Here you see Nel in some of the clothes they provided.

Marina Rinaldi divides its clothes into three lines – day, elegant and sport – and instead of doing as most designers do and scaling up its normal designs, it starts by designing with larger women in mind. It has its own sizing system, 17 to 31, roughly equivalent to Britain's 16 to 28. Besides the suits and coats, dresses and blouses, there is knitwear, shoes, gloves, hats and handbags.

The snag is that Marina Rinaldi clothes, like all the Max-Mara range, do not come cheap. Only fabrics such as Scottish and Irish tweeds, Irish linens, Chinese cashmere and exclusive prints are used. You could pay £574 for a soft wool coat like the one pictured and from £50 for a shirt or skirt, but the quality is wonderful and it should last and last.

We thought Nel looked wonderful in the clothes. She herself said: "I very much liked them, although perhaps some of the collection was a little middle-aged. Generally, I thought that the cut was superlative and the fabrics very good. Everything I put on made me feel great. The acid test – do you get that sinking feeling when you look in the mirror? No, I didn't!

"I liked the suit – the fabric is a kind of brocade and it was good to see a hip-length jacket in a big size, as larger jackets usually seem to skim the floor! The skirt was roomy without being baggy and I quite liked the blouse, although I don't generally go for satin fabrics.

"The evening dress has a gorgeous shape. It tapered beautifully and came in a stunning black velvet version – very sexy! The coat, though, was the star. It was pure joy to put on. I think I would have gone out on the town in my painting dungarees if I had a coat like this. It made me feel like a million dollars. It almost costs $1m, but I may mortgage my granny to buy it!"

Good selections of Marina Rinaldi clothes can be found at Dickins and Jones, Regent Street, London W1; Harvey Nichols of Knightsbridge, London SW1; Addition-Elle, Unit 11, The Great Hall, Tunbridge Wells, Kent; Addition-Elle, Stall Street, Bath; and Poppy Plus, 17-18 Market Square, Lytham St Anne's, Lancashire.

■■■

Marks & Spencer has made a big effort this winter to provide more of its basics in larger sizes. All its ranges for women go up to size 16 anyway, and many up to size 20, but Plus ranges and departments were created to cater for up to size 24. The collection went into between 50 and 75 stores and was such a wow that M & S fears it has already more or less sold out. Watch out for Plus departments in February when many more lines will go into many more stores.

Sock Shop branches stock several brands of tights in sizes that go up to 54in hip – look out for Dior Extra Size, Sock Shop's own-brand 15-denier plain and patterned tights up to 54in and super-soft tights up to 52in hip.

Freemans' mail order. The best clothes for larger women tend to be expensive. They have to be: they use more fabric and they need skilled cutting. If you can't afford these then take a look at Freemans' catalogue, which has some excellent designs – although, inevitably, not in high-quality fabrics – at reasonable prices. All styles go up to size 16 but there is a special section for sizes up to 22 and 24 and a further group of designs, including most coats, go up to size 18. Write for the catalogue to 139 Clapham Road, London SW9.

Fashion Extra is another catalogue for the larger woman, those sized 16 and more. Not all of it is wonderful but, if you choose well, there is some excellent value to be had: some good-looking coats and jackets, large-size belts and shoes as well as the jeans, tracksuits and other sportswear that are so often hard to find in larger sizes. For a catalogue write to Fashion Extra, Dept NAT, PO Box 1600, London W8 7HD (tel. Freephone 0800-269-396, quoting reference RKG).

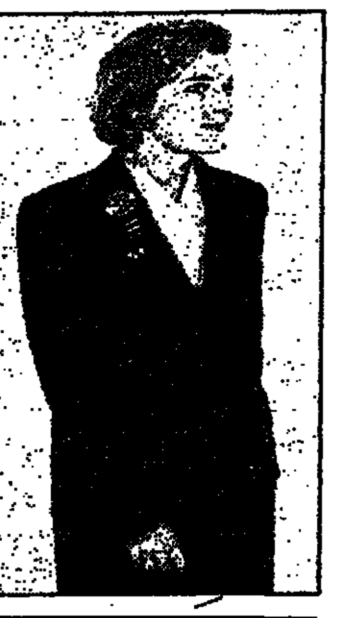
Hartnell Boutique, 26 Bruton Street, London W1, makes clothes up to size 20 but a customer can order any garment in any size for an extra charge of some 15 per cent, to account for the extra fabric and made-to-measure costs.

Inspiration is a range of underwear designed to give more ample figures the kind of glamorous lingerie that has long been available to their smaller sisters. As the company puts it: "Until now, little or nothing has been done on the design of next-to-nothings for the lovable armful."

There are just five garments in the range: camisole top (£6.99), French knickers (£5.99), teddie (£8.99), tanga brief (£3.99), and what they call a happy-wrap but which looks like a peignoir to me (£18.99). All except the happy-wrap are made from a good soft polyester satin; the wrap is of nylon denier. They are available in black or white by mail order only from Rosetta Lingerie Ltd, 36 Manchester Street, London W1M 5PE (tel. 01-486-4910).

Additional research by Lucinda de la Rue

All clothes from the Marina Rinaldi collection. Right, black pure wool coat, £574. Top, pure silk green and black evening dress, £288. Bottom, wool grey and black suit, £333, wrapover pure silk shirt, £133.50



All jewellery is by Pellini and a selection is available at the Harrods and Harvey Nichols stores in Knightsbridge, London

Wine

A good year for burgundies

THE ROLE ascribed traditionally to the Hospices de Beaune's auction of its new wines on the third Sunday in November is to provide a pointer to the quality and trend of prices of the latest burgundy vintage. But, this year, the results of the sale followed rather than led the market because, after a broadly successful maturing period for the grapes, the early-started vintage took place in fine weather and the crop was large.

Accordingly, the view was that this was the finest red wine year since the highly-praised 1985, and the market opened before the end of October with two of the largest (although not the most prestigious) firms setting the pace. The red Côte d'Or wines rose in price by 20 to 30 per cent compared with the moderate 1987s, and the whites increased in sympathy by around 10 per cent for the *premiers crus* and 20 per cent for the *grands crus*.

As one Beaune merchant remarked before the Hospices sale: "Everything is sold." This was particularly noticeable in Gevrey-Chambertin, the basic price of which rose from Ffr9,000 to Ffr12,000 a cask (24-25 doz. bottles).

This remark was not entirely accurate, for many growers keep their wines to sell only in bottle. But the price pattern had been fixed before the auction, particularly for reds, and the merchants faced the sale with a certain apprehension – although that did not inhibit them from joining in the buying with Patriarche, as usual, far in the lead.

In fact, the average price per cask was higher than expected at Ffr34,338 – 34 per cent up on 1987's average, which itself had risen by 9 per cent – although the amount of wine for sale was much greater than last year: 590 casks compared with 443.

White wines fared less well, with a drop of 8 per cent and an average cask price of Ffr41,990, partly because they are considered irregular in quality and partly because four of the Hospices' nine *cuvées* were not auctioned until 8pm onwards, at the end of a tedious five-hour sale. Also, there is a record stock of white wines in growers' and merchants' cellars.

Buyers for the US, the major export market, were noticeably thin on the ground: only nine lots purchased compared with 22 British and 33 Swiss, the leading foreign buyers.

The average white *cuvée* price would have descended even further had it not been for a saleroom contest between Suntory of Japan and Robin Clapp, an English businessman, for four casks of the always sought-after Corton Charlemagne François de Salins. Clapp won at the record price of Ffr156,000 a cask – about twice the price of Le Montrachet. Having been beaten two years ago by the same rival, he was determined to secure them this year.

The much higher sale total for the wines (Ffr24,921m – an average of Ffr35,550 a cask – compared with Ffr14,383m last year) was due partly to the great amount for sale. By a narrow margin of less than Ffr30,000, this beat the Hospices' previous record auction total of 1985; but then, only 555 casks were sold at an average price each of Ffr44,856.

For quality among the red burgundies, the 1985s are the criterion. No-one in the Côte d'Or suggests seriously that the 1988s are as good, and the published statement by the Fédération des Interprofessions Viticole de Grande Bourgogne (FIVB) that it is "a very great vintage" is discounted by the trade as an example of the defensive exaggeration which has tended to discredit official Burgundy early vintage assessments. However, there is no doubt that 1988 is a good, perhaps very good, red burgundy year although not a great one: a rare occurrence. The much lower average price per cask than in 1985, in spite of inflation, emphasises the point.

The reds certainly are superior to the 1986s and 1987s. They have excellent colour, fruity aroma, good body and structure. But they tend to be tannic and some may be a little austere, although burgundy does not have the tannins of Bordeaux Cabernets; however, the general level of acidity indicates that the wines will keep well. For those who like vintage comparison, I heard the '88s being compared with such diverse years as '78, '72 and '64. The Côte Chalonnaise reds – Givry, Rully and Mercurey – have a good reputation.

The whites might have been better had there not been too much over-production. *Grand Cru* wines, such as Montrachet and Bâtard-Montrachet, are likely to have made good ones. Chablis produced a big crop, said to be good.

Although 1988 prices may seem high, they will not be reflected fully when the wines are available (well into next year for merchants' wines and not until 1990 for those sold by the growers). By then, there will be fair indications of the size and quality of the 1988s.

Meanwhile, earlier vintages are not to be neglected. I sampled some very agreeable 1984s, red and white, but they need buying on good advice (as, indeed, does burgundy much more than relatively standardised Bordeaux). Opinions differ as to whether the 1986 whites are superior to the much-published 1985s.

Today, most merchants tend to prefer the 1986s, but others say that those 1985s matured in wood rather than stainless steel vats are richer and will *turn out better than the 1986s* for those prepared to wait the five to eight years (and even more for finer *crus*) that good Côte d'Or whites need. The 1986 whites generally are reckoned better than the 1987s, although I sampled some potentially excellent '87s.

The 1987 reds are considered superior to the 1986s although, once again, I tasted some fine '86s in the northern Côte de Nuits, where they are thought better than in the Côte de Beaune. In this very independent part of the wine world, judgment depends very much on whom you talk with or whose wines you are tasting.

Edmund Penning-Rowsell

Food for Thought

Here comes the super-spud

ON PAST Saturdays I have thundered on about potatoes. British people take the potato for granted and assume that we know all there is to know about it. I have also abused the Potato Marketing Board, which subscribes corporately to the view that the only potatoes worth eating are British.

You want a yellow, waxy potato? You can't have it. Foreign rubbish, not a patch on Britain's glory: the big, white, round, floury job. Now, these are fine for mash or chips and they are lovely baked with their jackets on, but sometimes what I want is something firm and reliable that can be steamed or boiled to accompany, say, poached fish. What I don't want then is a mound of crumbling, floury blobs. I want identifiable potatoes.

What I want, it seems, is called a good salad potato. Now, there is a potato that fits the bill exactly. La Ratte, it's called, and La Ratte means what you think it does: a female rat. It's what they call a designer potato, which means that you pay designer prices. In Marks & Spencer it is called politely Cornichon; and at 99p for a container of 1.25lb, it is about eight times the price you are used to paying.

This might seem daft, but when did you *last* enjoy – really enjoy – a dish of boiled or steamed potatoes? Not enriched with cream or bacon, but just good enough to eat and enjoy for themselves, peeled or not. These are potatoes to enjoy in their own right.

Mind you, I should like to think of the good old British spud getting a kick in the pants, because it is not really

the one to my taste. If it's to yours, that's fine. And if you eat a lot of mashed potatoes, that's fine, too. Ordinary English potatoes make very nice mash, just as Cadbury's Smash does, or Yeoman, or any of their own-label imitations that I know of. But the destiny of a fine potato is not *mash, any more than the destiny of a good egg is custard*. I like French *pommes puree* better than English mash; although I don't understand how the French can make it of such uncompromisingly waxy potatoes as they seem to have.

The arrival of the food-processor has not transformed the making of mashed potato, because it can't be done this way. Everybody I know has tried and failed. You peel and boil some good floury potatoes, cut them into chunks and put them in the processor with a bit of butter and milk. Then switch on and, *before* you can say "knife," you have an inedible and disgusting sticky mess. The food processor releases all the adhesive qualities of the potato, nothing else. Now, if you are hanging wallpaper this weekend . . .

This won't do. Mashed potato is a serious business, and well-made mash is beginning to be a rare delicacy. I think most of us boil the potatoes to start with, although some purists recommend baking them in their skins to avoid wateriness. Needless to say, you are using ordinary, biggish, white British potatoes – not the thin ones! – the elongated, yellow-fleshed kind with thin, silky skins. You push the result through a sieve or a *mouli-legumes*. Some people simply pepper and salt the result and eat it in a mound, sausages on top, like a Beano treat. If you were brought up on Elizabeth David you will beat in some hot milk and then some butter. That's the way I like it.

For some reason, if you have mashed potato in pubs nowadays it has always been browned under the grill. Or is it simply dried out under the buffet lamps? It is piped onto the top of the shepherd's pie with a rose that gives a flowery effect and then dried out, to form a contrast with the rather runny meat underneath. Really, this kind of potato garnish is meant to have eggs beaten into it to make what the French call *pommes duchesse*, which is a little bit like potato pastry and goes very crisp under heat. But real mashed potato is more liquid than that, like smooth porridge.

However, the new designer potatoes are not designed for this kind of treatment. No, they claim, and I with them, that the potato is a vegetable in its own right, to be served simply and enjoyed for its own flavour and texture.

Whenever I serve this kind of potato, I leave the skins on. I find that French guests – Germans also – fail to appreciate this particular bit of gourmandaise and spend 10 minutes fastidiously doing what they clearly think any civilised person would have done in the kitchen: peeling the fellows. The little shreds of skin lie at the side of the plate as an awful reproach, and we all have to wait for them to finish. I have never ordered a dish of potato skins in a restaurant, although I believe they are popular nowadays.

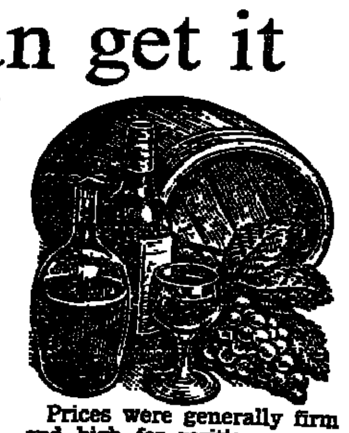
Now you can get crisps made with the skins on, called jacket crisps. These can be very good and remind us, as I have tried to do, that the potato is not a raw material so much as a vegetable. Many of the crisp-style snacks you buy nowadays are made from a purée of potatoes which is then extruded into various shapes and fried. Crisps indeed, of mashed potatoes!

Peter Lewis

Yquem...nice if you can get it

A SURPRISING number of very old Bordeaux were prominent in Christie's leading wine sale of the season. A bottle of Yquem 1811 – the comet year – fetched £15,000, well above the estimate. Other rare single bottles of Yquem included the 1893 (£420), 1906 (£420), 1928 (£340) and 1929 (£300). The special reputation of long-lived Lafite in the last century was demonstrated by the prices of single bottles of celebrated vintages: 1822 (£9,500), 1846 (£200), 1865 (£1,550) 1874 (£1,100), a magnum and 1899 (£780).

From a Paris cellar came 44 dozen bottles and 12 magnums of 27 vintages of Haut-Brion, 1928-1978, sold in bond. The top price was £2,500 for a case of 1945 and the total was £27,150. A great rarity was five bottles of Romane Conti 1875: perhaps the only bottles of this vintage left and originally from the cellars of Nicolas, the Paris wine merchant. The five fetched a total of £5,630.

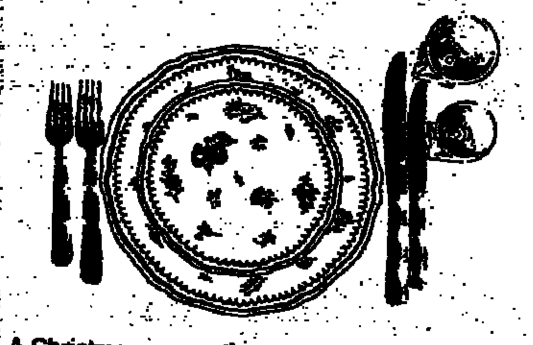


Prices were generally firm and high for rarities, among them six magnums of La Mission Haut-Brion 1945 (£3,600), six magnums of A Mouton Rothschild 1948 (£2,200), a case of Lafite 1961 ((1,800), a case of Haut-Brion 1961 (£1,700), a single bottle of the very rare Petrus 1945 (£350) and an imperial (equals eight bottles of Petrus) 1982 (£2,600).

Edmund Penning-Rowsell

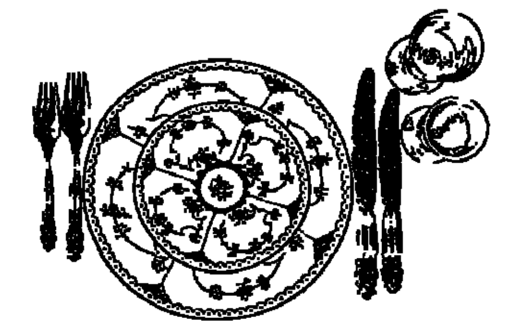
HOW TO SPEND IT

Lucia van der Post discusses how to create a sumptuous seasonal spread to make your Christmas feasts look as good as they taste



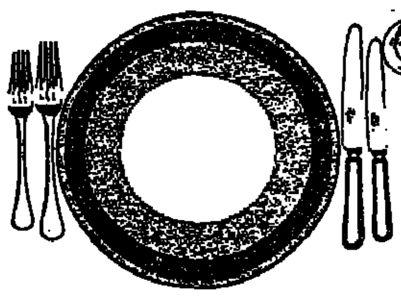
A Christmas suggestion from the Conran Shop, 81 Fulham Road, London SW3. Set the table first with a 100 per cent white linen tablecloth — Jacquard Francais Triomphe, £22.15 — and use matching plain napkins, £9.75 each. Hold the napkin with an Indian silver plate napkin ring, £2.50. The dinner plate (£31) and the small plate (£19.15) are both made by Richard Ginori of Florence, hand-stencilled and painted with delicate fruit and flowers with a gold inset line. Heavy 24 per cent lead crystal Vizelle glasses by Cristalleries Royale in France are £28.50 for the red wine glass, £26.50 for the white. The cutlery is a traditional French design called Montmartre which was first issued in about 1925. Prices range from £15.65 for the small fork up to £17.95 for the large knife and fork.

Nina Campbell, decorator supreme for the country house set who has her own shop at 9 Walton Street, London SW3, starts off with "gold" (or gilt) place-mats from India at £48 each. This means that if you have a fine wood table, you do not need table-mats to protect the wood. Then comes a large Limoges plate, pink-edged, at £25, and a small pink and mauve floral plate, again from Limoges, at £17.50. The glass comes from Venice — ribbed finely and edged in gold, the larger red wine glass is £16, the smaller for white wine £17 (there are also matching and beautifully shaped fluted champagne glasses at £18 each). For cutlery, which Nina Campbell does not sell, our artist has sketched in Thomas Goode's Lily at £80.05 a five-place setting. For napkins, use pure white linen.



For a change of mood, why not pop along to Royal Copenhagen Porcelain and Georg Jensen at 15 New Bond Street, London W1. The porcelain is, of course, made by Royal Copenhagen and is a delicate blue, fluted, half-lace traditional pattern, which was designed first in 1775. Dinner plates are £44.75, side plates, £28.50, and all are dishwasher safe. The cutlery is a rich and decorative Georg Jensen design, Acorn, in sterling silver . . . which means, of course, that it isn't cheap — but it is an investment. Prices range from £112 for the luncheon forks to £146 for the dinner forks, with most other prices lying somewhere between the two. The glasses are exceptionally elegant and are a new design by Holmegaard of Denmark. The larger glass is £15.60 and the smaller £13.65.

Joseph, whose sophisticated and eclectic collection of items for the home can be found either at Joseph Pour La Maison in Sloane Street, London SW1, or at his new shop, Joseph, 77 Fulham Road, London SW6 (from where this selection came), has suggested this group of blueish-green table items for a festive setting. The fish plate is £18, the shell plate £11. The artichoke soup bowl, made in France by Au Bain Marie, sits on its own plate and costs £27 with its own matching china spoon. The cutlery and simple glassware are Joseph's own but both are traditional French bistro ranges. The cutlery is available from Harrods and the glass from French Kitchen & Tableware Supply Company, 42 Westbourne Grove, London W2. China can be posted, for £5 extra per piece.



A setting from the Christmas table designed by the Marquess of Queensberry for Thomas Goode, 19 South Audley Street, London W1Y 6BN. It is deliberately simple, as Lord Queensberry feels that brunch is a more flexible way to feed his many friends and family. He dresses his brunch table with blue and yellow tableware from Robert Haviland's Monet porcelain range, made originally for the artist by a Limoges manufacturer. Large blue laying plate is £46.90, dinner plate £34.50, and small plate £28.10. Glasses are Langeas, £40 each, by Lalique, and the Baccarat decanter is £113. For cutlery, Lord Queensberry suggests James Dixon's Old English Plain — prices range between £12.85 and £16.80. Irish linen double damask napkin by Fergusson is £8.50, napkin ring £46.

What the best-dressed tables are wearing

CHRISTMAS, as we all know, is an excuse for a great many things — not least for going to town on dressing-up the house. And this year, it seems, houses will be dressed as never before. The theme all over town is one of abundance, of warmth, comfort and sensual delight. Judging by the store windows, the table settings and even the houses of friends, Christmas this year is more traditionalist than ever before.

To those of a puritanical turn of mind, today's delight in the sumptuous and the richly decorative might seem at times to border on the wickedly self-indulgent. You can blame it all on Prince Albert and Charles Dickens, those twin perpetrators of what might be called the abundant approach to Christmas. Until they provided us with such powerful symbols of the decent way to celebrate the season it was, apparently, a much more modest affair. Be that as it may, the legacy of their romantic, Victorian imagery is all around us. Traditionalism seems right and minimalism inappropriate.

Happily, though, while it is perfectly possible to spend hundreds of pounds on decorating house and tree, it is equally possible to transform the house into a magically welcoming place with very little expenditure. Imagination is all and it is amazing what can be done with candles, flowers, fruit and greenery.

Tables can be transformed by covering them with yards and yards of fabric. Take a look at our drawings and see how Kenneth Turner and Anouska Hempl have created truly magical table settings — they have used expensive fabrics (a Royal Stewart tartan wool in Kenneth Turner's case and a fabulously decorative damask in Anouska Hempl's) but very similar effects can be achieved much more cheaply. Remember, it is better to be generous with inexpensive fabric than mean with an expensive one.

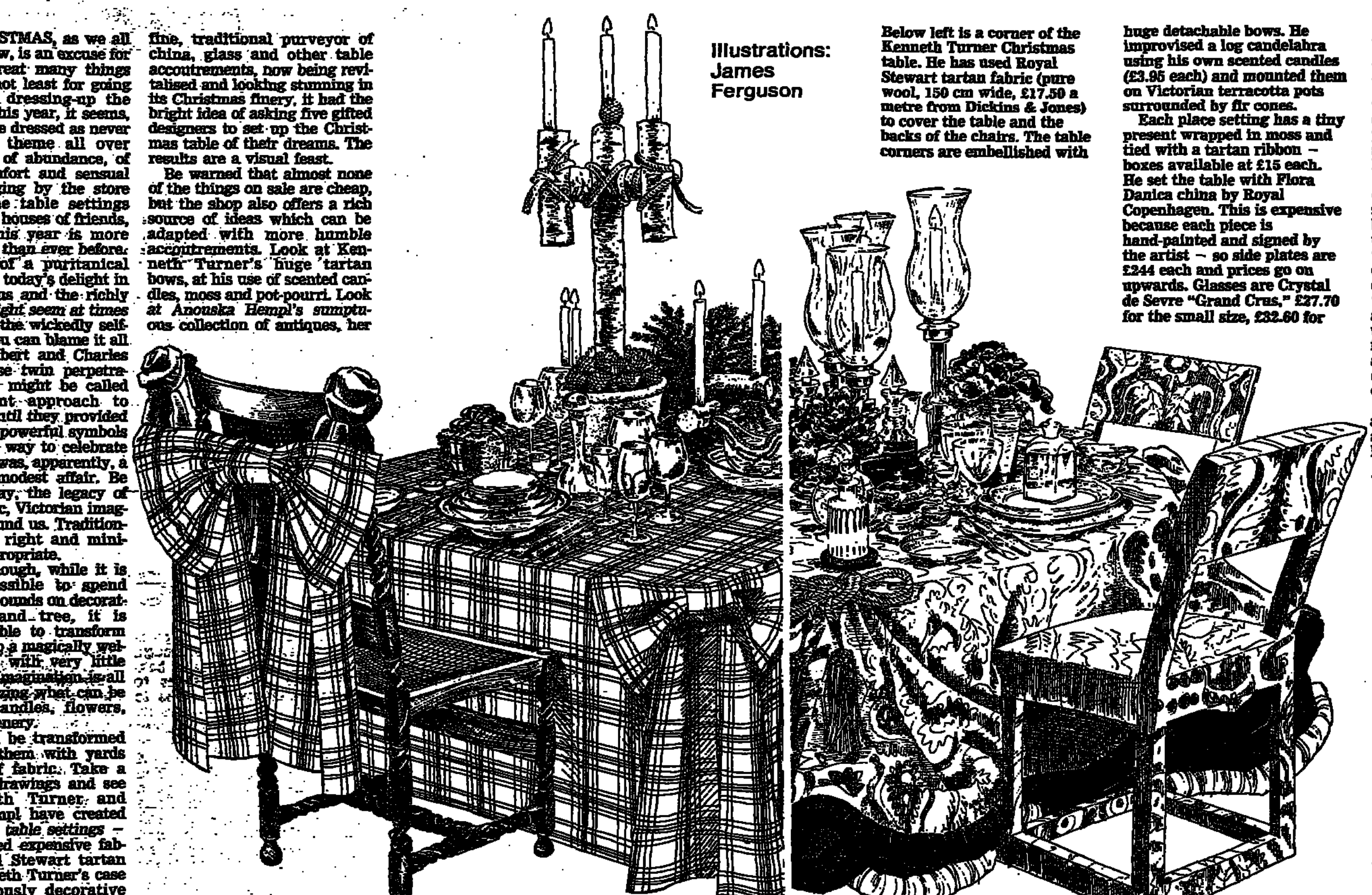
Now is the time for getting out your antique silver candlesticks, your damask tablecloths, your unmatched collection of antique plates and glasses and building up a rich and varied setting for your Christmas celebrations.

If you are looking for inspiration, take the time to go and look at Thomas Goode's china and glass shop at 19 South Audley Street, London W1. A fine, traditional purveyor of china, glass and other table accoutrements, now being revitalised and looking stunning in its Christmas finery, it had the bright idea of asking five gifted designers to set up the Christmas table of their dreams. The results are a visual feast.

Be warned that almost none of the things on sale are cheap, but the shop also offers a rich source of ideas which can be adapted with more humble accoutrements. Look at Kenneth Turner's huge tartan bows, at his use of scented candles, moss and pot-pourri. Look at Anouska Hempl's sumptuous collection of antiques, her use of soft candlelight in antique storm lanterns. See how the Marquess of Queensberry's conjures up an equally (but differently) inviting Christmas table with much simpler accessories. See how visually attractive John Stefanidis makes his mounds of fruit and greenery. Look at how visually effective it is to use a mixed set of china the way Jocelyn Stevens has done.

Sketched here are the tables laid by Kenneth Turner, left, and Anouska Hempl, right. Both can be seen at Thomas Goode until Christmas. Sketched at the top of the page are five more suggestions.

Illustrations: James Ferguson



Below left is a corner of the Kenneth Turner Christmas table. He has used Royal Stewart tartan fabric (pure wool, 150 cm wide, £17.50 a metre from Dickins & Jones) to cover the table and the backs of the chairs. The table corners are embellished with huge detachable bows. He improvised a log candelabra using his own scented candles (£3.95 each) and mounted them on Victorian terracotta pots surrounded by fir cones.

Each place setting has a tiny present wrapped in moss and tied with a tartan ribbon — boxes available at £15 each. He set the table with Flora Danica china by Royal Copenhagen. This is expensive because each piece is hand-painted and signed by the artist — so side plates are £244 each and prices go on upwards. Glasses are Crystal de Sevre "Grand Crus," £27.70 for the small size, £32.60 for large wine goblets. The Baccarat "Vienne" Champagne flute with gold trim is £60, and the St Louis decanter £129.75. Georg Jensen "Rosenburg" cutlery completes the table setting: prices range from £24 for a small fork to £29.50 for a large knife.

On the right is sketched a corner of Anouska Hempl's sumptuously seductive table, based on a Russian gypsy theme. She starts with a table-cloth of mind-boggling extravagance. In elaborate damask, lined and interlined with wadding, ruched with a special border and caught up intervals with bows, it sells for £2,500 — but you could achieve something of this rich effect with a considerably cheaper fabric.

The damask-covered chairs are £350 each, the mahogany and ebony hand-finished French polished table-mats are £120, and the black mat flower vases £25. All can be bought through Anouska Hempl, Blake's Hotel, 33 Roland Gardens, London SW7. Royal Crown Derby is used for the lay plates (£25 each). The other dinner plates are antiques from the Thomas Goodes' own archives and are not for sale, but they illustrate perfectly the rich effect achieved by not matching things too carefully, by using accumulated antique and jumble shop buys.

Cutlery is James Dixon's Gilt Royal York (£26.90 for a dessert spoon) and glassware is Baccarat's Empire series (£124 for a champagne flute). The Russian antique storm lanterns, the tiny individual decanters on each place setting filled with Russian vodka, and many of the other antiques, are from Anouska Hempl's own collection and are not for sale.

The queen of quilts

SUSAN Jenkins has collected old American quilts for years. She has quilts that were made by American women in the hills of Kentucky and West Virginia, by black slaves in Texas, by share-croppers in Mississippi, by Amish women in Ohio and Pennsylvania, and by society women in Baltimore. Anybody who loves American quilts and would like either to see a fine collection or to buy should make a point of going along to her selling exhibition of special quilts which starts on Wednesday and goes on until December 17. Prices start at £200 and go on to around £2,000 for the finer and rarer ones. The exhibition is at the Antique Textile Company, 100 Portland Road, Holland Park, London, and is open from 10 am to 6 pm from Monday to Saturday.

■ ■ ■

DESIGNER tights might seem a rather mad idea to you and me — after all, what can you do with tights other than colour them differently and make the texture thicker or thinner, opaque or see-through? Not much, you might think. Well, you would be wrong.

Sock Shop's Sophie Mirman decided to ask five designers each to do some special designs for tights. Jasper Conran did some wonderfully sludgy colours on cotton lycra; Artwork did some embroidery prints and flying ducks; English Eccentrics did some of its distinctive historical and contemporary squiggles on black; Betty Jackson did a Paisley print overlaid on an ancient Japanese map; and Workers for Freedom transcribed some decorative details from its present shirts.

They were all launched with much razzmatazz at a reception at the V & A. Three hundred assorted pairs were allocated to 30 shops and tagged with prices starting at £3.99. By the end of the day, all had sold out and more supplies had to be rushed in.

Looking back, Mirman reckons that she under-estimated the demand by some four times. So, buy your designer collection now — once the complete edition has been sold, no more will be made. They could become collectors' items. So successful has the venture been that, already, Mirman is planning another, different designer collection for next year. It's good news that such a commercially successful company is bubbling with creative ideas.

Cookery

A swell time with designer rice

***Philippa Davenport** suggest some tasty ways to use a noble grain*

IF YOU want to make a splash and enjoy wild rice to the full, it makes sense to use it by itself rather than mixed with brown rice for the sake of economy. This might be expensive but wild rice expands dramatically in cooking, swelling up to three or four times its original bulk. This is much more than other rices, so a little goes further.

As a general rule of thumb, you will need no more than 1½ oz per person for dishes such as risotto, where the grain is a major ingredient. When wild rice is to accompany meat or fish, 1 oz per person is plenty.

Wild rice should be washed in cold water before cooking and is best cooked by one of two methods. Either drop the grain into a very large pan of fast-boiling salted water and simmer it for about 40 minutes, then drain well. Or rain the rice into a pan containing just three or four times its volume of fast-boiling liquid (plain salted water or good stock — plus a splash of wine, perhaps); boil hard for a minute or so, then cover and cook at a bare simmer for 25 to 30 minutes. Finally, turn off the heat and leave the covered pan to stand for a further 25 to 30 minutes before draining and using.

When ready, wild rice grains will curl and flower. The kernels open up a little, revealing creamy coloured cores that are softer than the springy dark sheaths. How long it takes to reach this stage depends on quality and provenance.

Wild rice could form the basis of a breakfast which might be fun to serve as a Sunday morning alternative to muesli or porridge. For two people, cook 2 oz to 3 oz of wild rice. When it is almost ready, cube a large apple and sauté it in butter. Sprinkle with ground sugar and cinnamon, mix in the cooked wild rice and serve piping hot with cream.

Wild rice seems to me best in a savoury context. It goes handsomely with strongly flavoured meats such as venison, hare and pheasant. I look forward to serving a dish of wild rice and mushroom alongside strips of venison cooked in the Stroganoff manner, and also to making Golubtsy with game.

The latter is made by mixing lightly-cooked wild rice with at least three times as much minced and sautéed venison or other game enriched with a little pork (or you could use beef on its own), some chopped and lightly-fried onion, a good moistening of soured cream, and lots of seasoning including perhaps some caraway, paprika or marjoram.

Wrap neatly and roll up small spoonsful of the mixture in blanched cabbage leaves. Pack the leafy parcels on a bed of shredded cabbage heart in a buttered casserole. Pour on a tomato and soured cream sauce and bake for about 90 minutes at 350F (180C), gas mark 4.

Wild rice is equally good — I am tempted to say, better — at partnering delicately-flavoured meat and fish. I have had some success recently with a wild rice kedgeree which can be made with fresh salmon or sea trout but is best, I think, with smoked trout.

Toss a peeled, seeded and diced cucumber in 1 tsp of white wine vinegar plus half as much each of salt and caster sugar. Leave for 45 minutes to draw out some of the cucumber juices, then drain and dry.

Cook for a couple of minutes in plenty of butter in a large heavy-based pan. Add about half a pound of skinned and roughly flaked smoked trout. Cover and leave over a very low flame only until the cucumber is tender and the fish is well heated through. Add fresh chopped dill and parsley, pepper and salt, and 6 oz of wild rice which you have cooked in light stock with a good splash of white wine. Garnish with chopped hard boiled eggs.

For an easy and elegant dinner party — or perhaps for Christmas - I can think of few things nicer than quail with grapes, accompanied by plain boiled and lightly buttered wild rice, and a bowl of peppery watercress. Roast eight quail, breast down, in plenty of melted butter in a baking dish just large enough to take them side by side, allowing 40 minutes at 375 to 400F (190 to 200C) gas mark 5 or 6.

Turn the birds over, baste them, and scatter one pound of halved and pipped Muscatel grapes around them. Season well, adding a pinch of allspice, and cook for about 10 minutes more until the birds are perfectly tender and the grapes hot and slightly softened. This is a good-tempered dish which can be covered and kept warm in a low oven for half an hour or more without coming to harm.

Salad strikes me as well worth remembering when faced with cold roast turkey at Christmas. Mix six parts of cooked wild rice with three parts of halved and seeded white grapes, and one part each of chopped water chestnuts, roasted almonds and celery. Add plenty of tender cooked poultry cut into chunks. Dress with a mixture of mayonnaise and soured cream and serve on a bed of fresh green leaves, spinach for preference.

Even more delicious is the prospect of wild rice oyster stuffing for turkey. Cook 4 oz or so of wild rice until just tender. Drain well. Grill two or three rashers of bacon. Cut the meat into snippets, and use the melted fat to soften a small, finely-chopped onion.

Cook three-quarters of a pint of shucked oysters (two to three dozen depending on size) in their liquor for just three minutes until slightly stiffened. Mix the wild rice with the bacon, onion and oysters (left whole or roughly chopped).

Season with thyme and parsley, perhaps even a smattering of fresh chopped sage, as well as salt and pepper. Spoon the stuffing inside the bird or bake it in a buttered casserole allowing about 30 minutes at 350 F (180C) gas mark 4.

ARTS

Patrons hold the key to freedom

Extracts from the annual FT Arts Lecture given by the film producer David Puttnam

TONIGHT I want to consider patronage and patrons – the contemporary role of patronage, how it shapes our work, the work of artists and communicators, and offer some cautionary tales of my own.

Looking back on this century, it seems that patronage at some point altered its sights. Art was no longer a stairway to heaven, but became instead an endorsement of power. The most powerful patronage came from the state. In fact from totalitarian and secular states, from Stalin, Mussolini, Hitler, Mao. Spurred by the creative genius of the early Russian cinema, another idea was carving out a place for itself in art: its use as propaganda. That darkly gifted communicator, Dr. Joseph Goebbels, offered an early warning of how this was supposed to work: "By simplifying the thoughts of the masses, and reducing them to primitive patterns" - he was nothing if not frank - "propaganda should be able to present the complex process of political and economic life in the very simplest terms."

It is only recently that Nazi art has been allowed the benefit of critical study. And this has tended to confirm, in Hannah Arendt's great phrase, the banality of evil (I wonder, incidentally, if we should not be equally concerned with the evil of banality.) But it's not alway banal: it troubles me to acknowledge that those two qualities, propaganda and creative vision, can be so seamlessly united as in Leni Reifenstahl's insidious, brilliant film *Triumph of the Will*.

Under these conditions, whilst there may be the illusion that art has continued to function, in effect it has merely colluded with its patron and become official art.

In these same conditions, journalism, coerced into propaganda or compliance, becomes official journalism, serving what is called the public interest, when what is actually meant is the interest of the state, functioning as patron.

I mention journalism deliberately. Art and journalism have, in my view, an interdependency – on each other, and, together, crucially, on freedom. But, in the end, art and journalism can only be as free as their patronage allows. And since I believe that the artist and the journalist have a necessary common cause – the pursuit of truth – I am going to ask you this evening to consider the deeper implications of our dependency on patrons.

Who are the great patrons of today? In most instances they are the media empires and the multinational corporations. Every major newspaper, every major film studio, every television network and – increasingly today – many of the major book publishers - fall under this financial system.

In such a system, artistic freedom finds itself limited by, and frequently colliding with, primarily economic demands. As a result, its true purpose is diverted or degraded, usually by that corporate discipline uncomfortable known as the bottom line.

The mystery of film cannot be ordered by a leader, nor mandated by law, or whistled up as one calls a porter. For the most part it is an arena probably best left untended by governments, because it resists formula, and baffles *all* attempts to forecast its final impact on audiences.

A tightly controlled product line would appear an impossibility. In fact, guaranteed success of any sort seems highly unlikely, and each of us is forced, from time to time, to face the question of whether our work can ever *really* be calculated as a tangible asset to any corporate bottom line.

And so, conversely, I believe that if you attempt to apply the principles of the product line to an artistic endeavour like film you will simply find yourself misapplying it. You will be defeated by the elusive laws of success. You will, more than likely, end up emulating, rather than originating and, by emulating, prove once again that fashion is a poor guide to art . . . let alone success at the box office.

Alas, all of this serves not only as a warning to patrons, but also to artists. I fear that in many instances filmmaking has today become something of a conspiracy of insincerity. Insincerity in the artist, settling for a formula considered commercial while claiming higher intent. Insincerity in the patron, promoting the artist's renown while knowing that he has already corrupted the flow of the work, the integrity of the individual imagination. And the shameful thing about this conspiracy is that it illustrates not a poverty of imagination but, less forgiveable, a poverty of ambition.

In fact, the real tragedy is that so much talent and so much wealth is squandered on the relentlessly second-rate.

Film can uniquely feed people with ideals in a way no other art form can quite match

Are we witness to an atomisation of television – creating a cocktail from a combination of multiplicity of choice and market pressures, in such a way as to shake out those financial distortions that for some years have allowed us the privilege of creative integrity in a medium which, throughout most of the world, is a cultural wasteland? The same process that has produced a situation in America whereby you can flip through 30 or more channels, and fail to find *anything* to challenge the imagination. This brings me back to my belief in the common cause of the artist and the journalist.

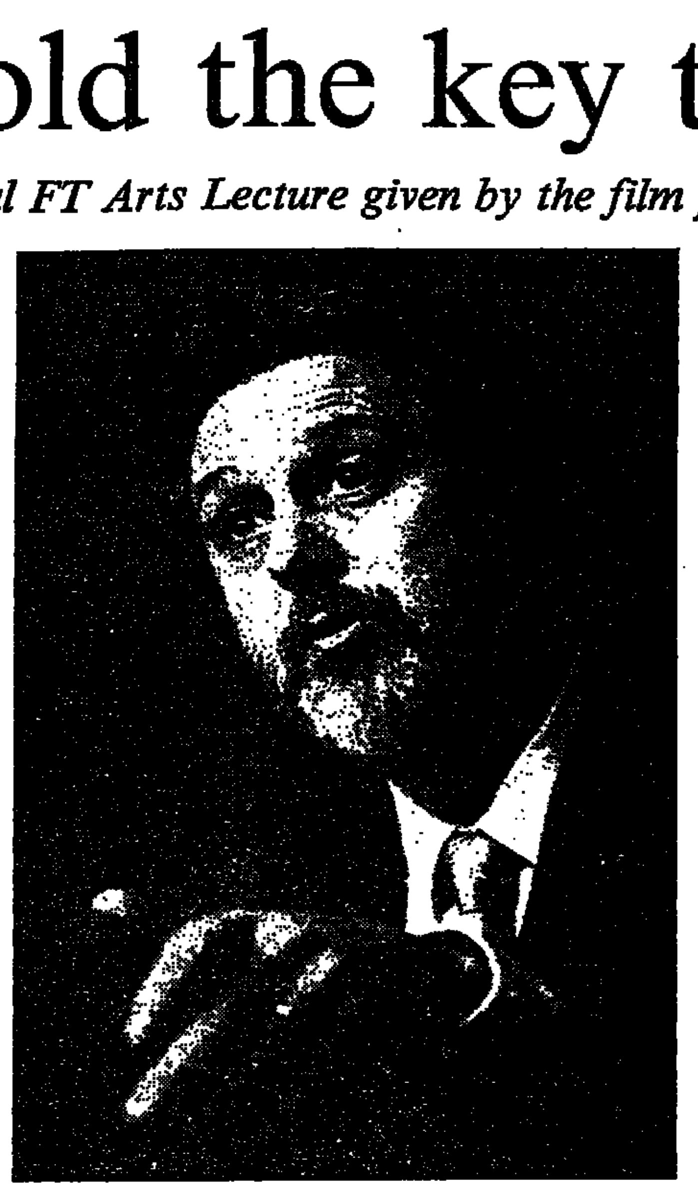
What is this common cause, the common ground? I would like to offer this definition of it: does each of us, in our way, describe the world as it really is? Deceptively simple, that. And yet I'm sure that few newspaper editors and even fewer television news editors can retire at night and honestly claim that they've pulled that one off. But it can be done.

Today's is a complex world, and one easy for the artist to back away from, pleading that his job is entertainment, escapism, the provision of public sedatives. I find that excuse insidious. I find that view of entertainment, that it is an alternative to the engagement of the mind, the worst kind of artistic evasion, posing what is, in reality, a false choice.

When teaching I've always told my students to resist the and/or concept – that it's either commercial or it's serious, that it's either entertainment or it's art. We cannot and must not back away from complexity and, in doing so, render our work simplistic.

Similarly, I reject elitism - because it is the elitist who tends to sneer at the idea of entertainment, as though entertainment and serious engagement of the mind are opposing forces. That would have appeared a strange notion to someone like Mozart. He delighted in the fact that people hummed and sang his music in the streets. Yet Mozart never backed away from the complex through fear that it might not entertain.

I believe in the potency of cinema. I believe in the considerable social role it has to play in our lives. I say this as someone who, as a young man, had his whole view of life and the world and the way it was organised, formed by and through the cinema, in that magic atmosphere where people are at their most vulnerable to impressions and to ideas – in darkness.



David Puttnam delivering the goods last Wednesday

I believe film can uniquely feed people with ideals, mixed with ideas, in a way that possibly no other art form can quite match. If this is true, then I contend that that belief carries with it a clear and fundamental responsibility. As any communicator must, I've learned about my social responsibility from the audience's reaction to my work; sometimes that knowledge has been uncomfortable.

I cannot accept that the filmmaker should in any way conspire to put his work above or outside of what he believes to be a decent set of values for his own life, his own family and their future in society. Not only above or outside, but more particularly below. The responsible filmmaker *may not* cheapen his work so that it becomes less than true to the world he himself wishes to inhabit.

Standards have to be part of a social agenda. Part of a collective responsibility – the responsibility of the artist to deal with the world as it *really* is, the responsibility of those governing society to face up to that world and not to misappropriate the causes of its ills.

What I find offensive in films like *Rambo* is the illusion of another morality – that of an individual facing a complex world with nothing but his own brute force – and prevailing, as though all we have to do for the triumph of moral virtue is to summon up the violent animal impulse that may well exist deep within all or us.

At the end of the road every artist must know there is a price to pay. He cannot escape the consequences of his work. It's triumph or it's sell out. He must constantly ask, are we sure we're doing the very best we can?

To try to answer that, I turn, again, to our enablers – the patrons, and to the ownership and control of the delivery system. That is what the current fight for the soul of television in this country is really all about.

There is a new ecology of media ownership. The baronies - Murdoch, Maxwell, Berlusconi, and others - get bigger by the week. And this concentration of media ownership overlaps all too easily into a concentration of film studio ownership.

I used the word "ecology." I have a feeling that the government's White Paper on broadcasting will prove to be, in that sense, something of an ecological trauma. It seems determined to dismantle the existing ecology, that which has evolved in the light of experience, without having any clear view of what system will supersede it . . . except, that is, for a fashionable belief in the regenerative value of dismantling.

We should consider these proposals in the harsh light of experience. Particularly, we should look at the new concentration of media ownership and how it is likely to shape, or reshape broadcasting, given free rein to do so. We have an obligation to be alert to *any* possible hidden agenda in the ownership of the systems that inform us. Business does not exist independently of the rest of society, even if it sometimes appears to comfort itself with the illusion that it does.

By passing through the lobby of the corporate building many people find themselves passing through a kind of moral airlock - during those few steps across the lobby they cease to be the person they were in the street and become - become by stealthy transfiguration - the loyal corporate being. They have left behind one kind of integrity – their private preference of family, friends, stability, continuity – and now, for the portion of their lives spent in this corporate building – they find themselves reluctantly embracing another kind of integrity, the integrity of the bottom line.

There are two deep psychic strains here. The first is to imagine that you can, day by day, tell exactly where the line lies between the two integrities, and attempt to live separate lives by both. The second is to find that you cannot. To find that you confuse them.

If a community cares only for "The bottom line," then there can be little community pressure on individuals to behave fairly and honourably.

And in a world of bottom lines, why should anyone bother to invest time and energy in the improvement of such an amorphous thing as a soul - or, more crucially, in the truth that only the soul, when alone, admits to.

There is the little discussed relationship between the commercial ethic and that of the state within which this ethic works. Is it too much to believe, with Edmund Burke, that - "The state is more than just a trade agreement . . . it is a partnership in science, art, virtue and perfection . . ." Yes, a partnership. But I fear that within our State's notion of partnership, art has continued to be treated as a dangerously unequal partner.

This brings us back to the danger of a philosophy based solely on the values of the bottom line. And to the kind of patronage that can come to encourage. If patronage is concentrated in too few hands it will inevitably become like that of the totalitarians – monolithic and, therefore, likely to snuff out diversity – diversity of opinion, diversity of ideas, diversity of taste and culture.

Fortunately, there are, in actuality, not one but two kinds of patronage, or at least, two levels of patronage. Those who own the means of delivery. And, far more numerous, those who produce, who make the films, the programmes. Perhaps there is a way in which, by preserving the diversity of producers, by securing it, we can, in effect, legislate against the monolithic conformity that threatens us.

In the end art can only be as free as its patronage allows

Filmmakers are creative artists who, of necessity, have also to be businessmen. Our patrons quite reasonably expect that of us. Here in Europe there is an interesting pattern to the way we finance our films, to the way we find patronage. More often than not, there is not one patron but a coalition of patrons, brought together uniquely for one joint endeavour. No single voice holds sway.

It can – and it has – worked extraordinarily well. And it tends to grant far more creative freedom, to be far more open to innovation, than the system funded by a single corporation.

In Britain there has, in the past, been ample evidence of the relationship between the quality of patronage and the quality of work. In addition to tonight's sponsor, the BBC is a remarkable example of what politically and commercially disinterested patronage can achieve. But can the BBC – can we – really feel as secure as we once could for the continuity of this precious and unique asset.

What is important is the direct and fundamental relationship between constitutionalised liberty and the manner in which art, journalism and broadcasting function in a free society. If that relationship is not perfectly understood, how can it be kept in balance, how can it be preserved? Because, make no mistake, if it is not heeded, if it is not sustained, terrible damage will be done to our society.

The artist, the communicator, in order to enjoy that constitutionalised liberty has to accept the consequences of his work. Take movies. Good or bad, they tinker around inside your brain. They steal up on you in the darkness of the cinema to form or confirm social attitudes. They can either help to create a healthy, informed, concerned and inquisitive society – or, in the alternative, a negative, apathetic, passive, ignorant one. The kind that cannot be bothered to take part in the democratic procedures which result in the control of their everyday lives.

How ironic it would be if, at the same moment that the Eastern European world seems poised to tilt and change, we become unguarded and uncaring about our own freedoms. How tragic if, either by abuse of our privilege or neglect of our integrity, we cede *more* ground to the mindless, and to those of the right or left who would prefer to manipulate us with a greater degree of ease.

Lacking a clear sight of our enemy we too should take care that we don't complacently allow our best work to be consigned to the limbo of the unmade. That the steady drip, drip, drip of the bottom line doesn't leave us with a record of banality. Because the truth remains that pursuit of the mindlessly orthodox can serve in its own way as an effective oppressor – or originality – of independence of mind – of the value of that single raised voice.

Our best hope lies, probably, I think, in Europe. I believe that Europe is slowly reasserting itself as the creative and moral leader of the industrialised world, as the custodian of what is best in western cultural values.

In that very real sense, the old world may well be becoming the new world – a new world of ideas, of political innovation. The old enemy, parochialism, is likely to recede; we shall find ourselves part of a broader European experience, the diversity of our cultures will, inevitably more freely mix, more freely interact.

We must make sure that our patrons give us the means to do this or at *least* to try. How truly ironic it would be if, instead, we end up in this new Europe with a replica of a television system atomised into one hundred indistinguishable channels of pap.

As I've said, we must strive above all to describe the world as it really is. Truthfully, and when necessary, in *all* of its complexity. We cannot cheapen our work, our art, so that it is less than true to the kind of world we wish to inhabit, that we wish our children to inhabit.

Video

Christmas alternatives to war

THE VIETNAM war has been served up every known way in the movies. Piping hot with a side-dish of Russian Roulette (*The Deer Hunter*); à la Joseph Conrad with Marlon Brando sauce (*Apocalypse Now*); flambé'd with front-line violence (*Platoon*) spiced with boot-camp sadism (*Full Metal Jacket*); or swapping gungo-ho for ho-ho in *Good Morning Vietnam*. We have even had a movie titled for the fast food age, *Hamburger Hill*.

But the two most moving films about the war reach our video screens this month. I am not a critic who normally emerges from movies seeking a place to dry my handkerchief, but *Gardens Of Stone* (CBS/Fox) and *Dear America* (RCA/Columbia) wrung my tear-ducts like few other films this decade.

The first is Francis Coppola's tale of a young cadet whose death in Vietnam sends ripples of pain through the old stagers (James Caan, James Earl Jones, Caan's reporter girlfriend Anjelica Huston) who had become his surrogate parents in military school. Muted and stoical, but with an unseen water-table of grief and anguish, the film is all the more powerful for being boldly underplayed.

Bill Couturie's documentary *Dear America* consists of letters home from Vietnam soldiers to parents, friends and girlfriends. Read out over war footage, the letters range from rueful philosophising to harrowing dejection to equally harrowing optimism. "I have to make it out of Vietnam because I'm lucky – I think" writes one soldier, who was killed three weeks later.

The all-star line-up of voices reading the letters – including Robert De Niro, Michael J Fox, Willem Dafoe and Robin Williams – might have been a vulgarity but proves a triumph. As in *Gardens Of Stone*, the actors have sensed that the magnitude of a tragedy is best served by a minimum of flamboyance.

Momentous works of celluloid are bursting out all over the video market this month. Hendring Video are launching a flotilla – nay, an armada – of Russian classics. Leading the fleet is early Sergei Eisenstein (*Battleship Potemkin, Strike* and *October*, all out now). Soon to follow are late Eisenstein (*Alexander Nevsky, Ivan The Terrible*) and the best of Pudovkin (*Mother, The End Of St Petersburg, Storm Over Asia*). And further classic-cinema task forces are in preparation, representing countries like France, Spain and Japan.

Video initiatives like this may give Britons the chance, when TV is deregulated, to watch something other than nude quiz shows and re-runs of *Miami Vice*. Provided Sherriff Rees-Mogg has not run even those out of town. Eisenstein and Vietnam may not, of course, be quite what you feel like this Xmas after the turkey and champagne. If you wish to prevent aunts, uncles and grandparents from staging their very own version of the Odessa Steps sequence - falling drunkenly down the front stairs – why not keep them quiet with *Wall Street* (CBS/Fox), *Hairspray* (RCA/Columbia) or *Babette's Feast* (Braveworld)?

The first is Oliver Stone's cracking melodrama of life in the financial fast lane, with Oscar-winning Michael ("Lunch is for wimps") Douglas. The second is a delicious high-camp homage to 1950s teen culture from John Waters, casting Divine in his/her last role. And the Danish film *Babette's Feast* turns a short story by Karen (*Out Of Africa*) Blixen into an exquisite tale of doomed love and the compensations of good food.

For children, I suggest you reach out towards the video shops and grab the Spielberg animation feature *An American Tail* (CIC) or the enchanting fantasy *Troll* (Entertainment). And for anyone over 18, how about the never-screened-in-Britain *Street Smart* (Warner). Christopher Reeve doffs his Superman cape to play a New York reporter pressured into faking a story about street crime. *Lou Grant* meets *All The President's Men* in a thumping morality thriller.

Nigel Andrews

Radio

Plague, panic and academic views

OPEN MIND on Radio 4 on Sunday evenings seems to confine its discussions to matters that half of us discuss all the time – "current issues," says the Radio Times, though without warning us what they are. On Sunday we had state funding of the arts; in the chair was Edward Mortimer, with Neil MacGregor, Director of the National Gallery, Douglas Mason of the Adam Smith Institute and Michel Rabaud of the French Ministry of Culture.

Familiar arguments were exchanged, but the talk stayed on the surface. In M. Rabaud's nation, for centuries culture has been officially sponsored; whereas Mr Mason was appalled at the big grant for Covent Garden opera. Well, how does it compare with that for the Paris Opera? – or Milan, or Vienna? Surely this is relevant. The catch in this programme is that there is so little chance of detailed discussion; 30 minutes is nowhere near long enough.

The New Professionals (Radio 4, Sunday), first of a series of three, was about academics raising money for universities. This will come partly through the medium of foreign fee-paying students, and the scouting will be done by these new professionals, professors of other disciplines, like English or biotechnology. It involves, as the presenter David Walker observed, a vast waste of human resources.

But it has to be done, and there seem to be men at our universities who can do it without necessarily quitting their own disciplines, though new academic appointments, full-time staff fund-raisers, have begun to appear. There were some tales of naive or unprepared workers in the field (and I heard some nasty English from the academics); but this is a new phenomenon, worth watching.

On Wednesday, Radio 4 had a feature of a very different kind, *Plague and Panic*, comparing the public terror of syphilis in the last century and that of Aids today. Professor Lewis Wolpert gave an historical rather than a medical survey. Some of the medical, indeed political, reactions to the supposed epidemic of syphilis in Victorian times, its importance exaggerated by the unspeakable stigma attached to sufferers, were appalling.

There was only a minute at the end on Aids. No more was needed. The same kind of panic may arise as once magnified syphilis into a national emergency. There may indeed *be* a national emergency. Now this is the kind of subject they should deal with in *Open Mind*.

Sunday's Globe Theatre play, which Radio 4 shares with the World Service, was *The Thought of Lydia* by Frederick Raphael. There was a feel of Ovid's *Metamorphoses* about it. Lydia (Suzanne Bertish) was Queen of the wealthy nation of Lydia. The King was whomever she chose to marry. She chose Candaules (Robert Glenister), who had a close friend, Gyges (Michael Kitchen).

Candaules challenges Gyges to a long jump. He jumps first. Should Gyges beat his future king? Should he lose and seem inferior? He lands precisely on Candaules's mark. Having become King, Candaules tells his friend, "We once tied in a dead heat. Now I have a most beautiful queen, it is right that you should see her as I have." He hides Gyges where he may see Lydia naked; of course she spots him, and they disport themselves. Later the Queen orders the two men to fight a duel. Gyges wins; "This was the first time I knew I could master him," he says over the bleeding body. When he becomes King, as naturally he does, he makes the Court more authoritarian. Conscious strength leads to power.

Much of the action is given to three narrators, who use odd adjectives, as in "a strident jump." I enjoyed the play, and it was excellently done under Walter Acosta's direction; but if I were a Czech dissident, a Kenya settler, a holidaymaker in Torremolinos, is this what I should expect to hear on the English radio?

B.A. Young

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ARTS

Designer in the European tradition

Michael Coveney on the work of Italian designer Ezio Frigerio

"THE TIME for symbols has gone" said Ezio Frigerio, the Italian theatre and opera designer, as we studied models and pictures of his work on *Rigoletto* which opens next Thursday at the Royal Opera House, Covent Garden, in a new production by Nuria Espert.

No Frigerio set is ever devoid of beauty or monumentalism. But the search for narrative simplicity may intensify in these lush Renaissance façades and the third act inset of a mist-laden, body-dumping river spot. The designer, a former sailor (Joseph Conrad is a particular hero), painter and student architect, hails from the Lombardy plains of Northern Italy, where winters are Nordically cold and summers, in violent contrast, of a Mediterranean heat.

He and Nuria Espert have decided on bleak winter for *Rigoletto*, and London opera patrons can expect a more familiar vision of 16th century Mantua than the delightful shock to the system provided by Jonathan Miller's Little Italy version for English National Opera.

But Frigerio is not an old school reactionary Verdian. His work is part of a great humanist European post-War tradition of combatant aestheticism stemming from Brecht in Berlin and Giorgio Strehler in Milan. The contemporary inheritance rests with mainland European directors like Peter Stein, Roger Planchon, Luca Ronconi and Patrice Chéreau.

In Britain we have our own pragmatic attitudes towards design, but they are not informed by any philosophical view of history, let alone any serious consideration of Marxism. This is why we do Molière and Goldoni so badly, and why what we see at the RSC or the National never seems to be happening anywhere we recognise or remember, except in catalogues or picture books.

Frigerio's designs create atmosphere and a powerful sense of place. Roger Planchon once remarked that his most beautiful décors "are faces where the past reads itself. His architectural constructs always have the patina of an inhabited age." Frigerio is bound, Planchon believes, to the peasant world of his childhood, lamenting in his work the death of an elemental civilisation, the passing of agricultural tools.

This goes deeper than nostalgic sentimentality. Frigerio expresses distaste for modern Italy. "Our palaces, our Renaissance churches, these are our Indian reservations. I have a nightmare in which I see a bottle of Chivas Regal sitting on a farmhouse table made of formica. Twenty years ago, Italy was still the most beautiful country in the world."

In *Rigoletto*, he closes his eyes, listens to the music, but cannot relate the romantic story to the world of the Renaissance, the tales of Boccaccio. He hopes the production offers a solution to this problem. His representation of Mantua is offered as an evocation based on topographical features but modified by the demands of melodrama.

Nalthus, himself a sometime stage decorator, thought the young Frigerio's designs the most beautiful he had seen since those of Picasso, Bakst and Derain. The difference, he noted, was that Frigerio was palpably a man of the theatre. His sets are never painterly confections detachable from the action. They eschew machinery and cheap jazziness while benefiting from technological advances in lighting and plastic stage materials.

At Nuria Espert's bidding, Frigerio has belatedly come to Britain and given us the sunbaked white farmhouse, with its grilled apertures and peeling plasterwork, for Glenda Jackson's *House of Bernarda Alba* at the Lyric Hammersmith (subsequently the West End) in 1986, and the vast wooden-beamed tenement building for *Madama Butterfly* at Scottish Opera and, just recently, Covent Garden.

The Spanish actress has made a great impact as a new director, but she would be the first to acknowledge the conceptual beauty and effectiveness not only of Frigerio's designs, but also of the costumes made by Franca Squarciapino. In both *Bernarda Alba* and *Butterfly* you felt that people, and especially women, really did live, work and die in these peculiarly enclosed environments of the remote Spanish vega and wartime Nagasaki.

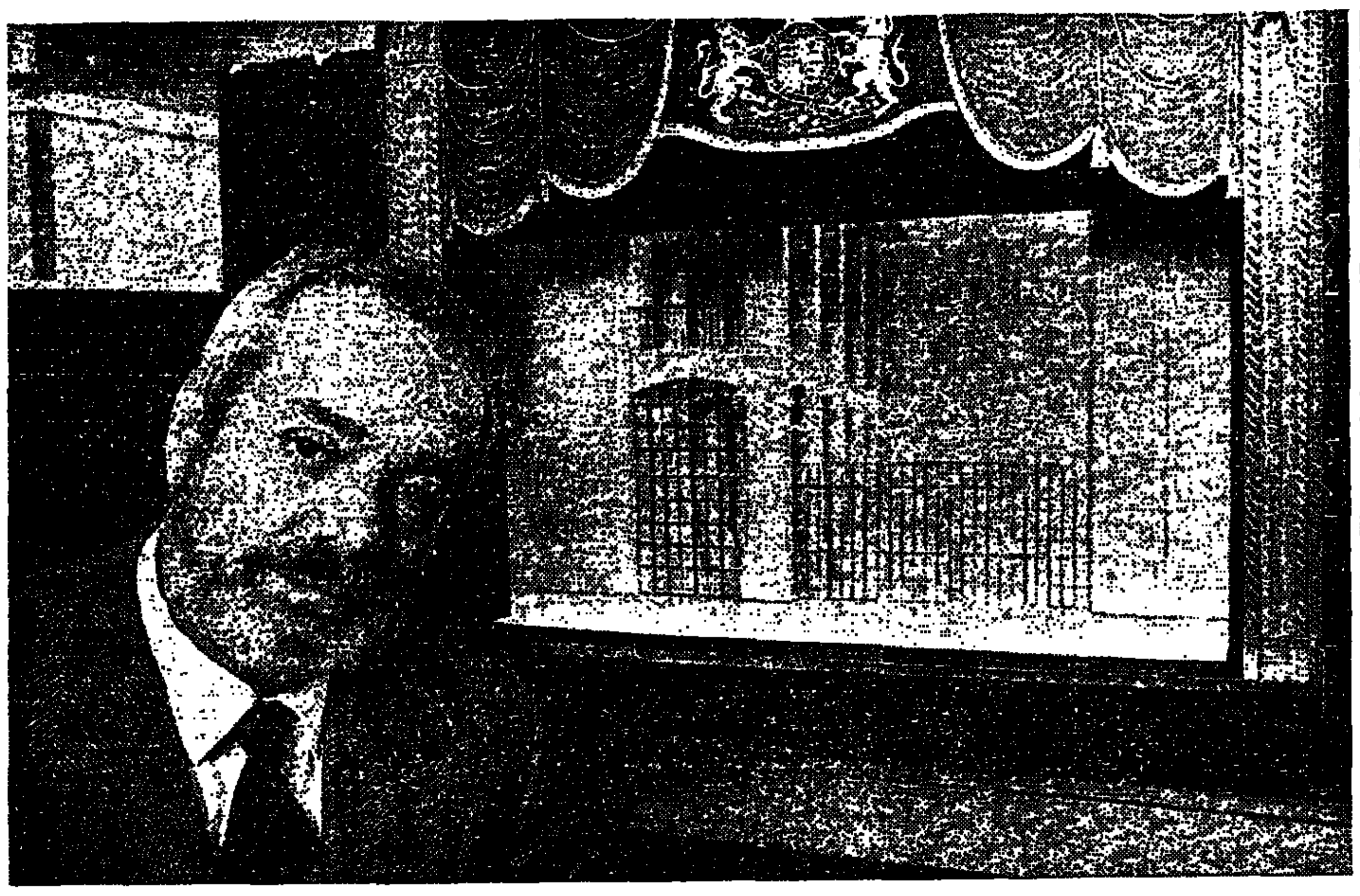
With Strehler, for whom he first designed at the Piccolo in 1955, Frigerio has learned to work from feelings, not images. Their famous *Arlecchino* has gone through six or seven editions in 30 years, culminating last May in the exquisite design purity of a white cyclorama, free-standing screens, beautiful non-fustian costumes and hand-held candelabra.

Unfailing good taste characterises an association which has, in the 1980s, embarked on a scenographic adventure in the theatre of illusion. The alienation theories of Brecht, the anti-theatre of Pirandello and the absurdists, have been subjected to breathtaking transfiguration in a La Scala *Lohengrin* and plays of Corneille, De Filippo, even Strindberg.

Corneille's *L'Illusion* used the magician's art to conjure deliquescent images for the delight of both the audience and the bereaved father, Pridamant. I shall never forget the curtain rising, very slowly, on a darkling grotto of baroque crepuscular splendour, nor the tumultuous, spine-tingling resolution. Superb acting was one element in a magically interlocked composition of costumes, lighting, set and sound cues.

The audience is bound up in such theatre works in a way Frigerio feels inappropriate for opera. Invariably, and *Rigoletto* will be no exception, he places a diaphragm of black gauze between stage and audience.

"This is a way of declaring that the world on the other side is not true. It is not a technical trick, but a device to create both atmosphere and distance." But the gap is continually narrowing between Frigerio and the British theatre. After an *Andromache* with Planchon in Lyons, and a *Fidelio* with Strehler in Paris (at the Châtelet), he will return to Scottish Opera, again with Espert, to do *La traviata*. And then a play at our own National Theatre. One hopes he will have time to hold a few master classes.



Ezio Frigerio with one of his models for the new production of Rigoletto, which opens at Covent Garden on Thursday

Ballet

Beauty à la française

A SMALL but very welcome French invasion of the Royal Ballet at Covent Garden has just begun with the appearance of Elisabeth Maurin and Laurent Hilaire from the Paris Opéra in *The Sleeping Beauty* on Thursday night. Other Opéra colleagues – Isabelle Guérin, Sylvie Guillem, Monique Loudières – are scheduled as visitors to the Opera House or Sadler's Wells, to remind us of the present magnificent strength of the Opéra's artists.

Mlle Maurin was making her absolute debut as Aurora on Thursday night, launching triumphantly into the greatest demands a ballerina can face, on an unfamiliar stage. Her baptism revealed a classicist of delicious style – light, elegant, mistress of every technical difficulty, and already able to give something enchantingly personal to the role.

Here was true coloratura dancing, bright in tone and having that extreme clarity of means that we associate with a French soprano such as Mady Mesplé. There were, of course, tentative moments, but at every turn Mlle Maurin showed a grace of manner, a finesse in dealing with choreography and drama, that told of a young ballerina entering into her proper domain. With her delicate blonde physique, she showed us Aurora's variations like shafts of sunlight, and there is still in her dancing a girlish innocence – inevitable in a first encounter with the role – which is touchingly right in the first act.

Laurent Hilaire took the stage like a prince, danced like a prince, and filled out the role as no contemporary British dancer can. The paste-board of the part was transcended, through dazzlingly assured dancing – his third act variation was opulent in power – and through a force and grandeur of scale in gesture, a temperamental alertness, that meant that no action was mean in outline or unweighted by authority. A simple command, a bow, the stock mime of the role, were at once more elaborate and more free: the entire body responded to the opening out of the arms, and echoes were awakened of those 18th century guides to dance-manners which can still make it clear how noblemen moved and stood. M.Hilaire was a Bourbon to his fingertips, and very, very fine indeed.

There is little else to be said about the evening, save to salute Ravenna Tucker's pretty way in the Bluebird duet, to hail, as always, the economy and dramatic focus of Leslie Edwards as Cattalabutte, and to curse the musical cuts in the Prince's journey which destroy drama as well as compositional logic.

Clement Crisp

The ultimate yuppy Cinderella is tops

Martin Hoyle surveys the panto scene

WHATEVER happened to Goody Two Shoes? The very name conjures up a sort of mindless virtue; once one of the most popular pantomimes, the title is hardly seen nowdays. Can some collective unconscious be at work, discarding those ideals unsuitable for our time? If so, what do we make of the plethora of Aladdins on our Christmas stages this year? A hymn to the archetypal inflationary spender with inexhaustible riches at his disposal on limitless credit? Understandably Dick Whittington makes good from Perth to Bournemouth, the hard-working opportunist hero for our age.

But both middle-eastern *entrepreneur* and feline-fancying financier are surpassed in this year's festive theatre by Cinderella, the ultimate yuppy. Red Riding-Hood, that namby-pamby wet with a pampering attitude to the disadvantaged, is banished. If she returns, I suspect the wolf will be the new hero. And Robinson Crusoe has been an uneasy Christmas visitor for some years now, with his patronising, not to say colonialist, approach to lesser breeds.

Sea-going Plymouth robustly mounts a starry *Crusoe*, nonetheless. John Nettles, TV's Bergerac, and Ruth Madoc, the Welsh passionflower from *Hi-de-Hi*, as Bluebeard and Crusoe respectively, head a cast with a quota of small screen personalities at the Theatre Royal. Television is held responsible for many evils, but traditional panto takes TV stars in its stride. Russ Abbott and Windsor Davies are among the familiar faces in another revitalised fable of the upwardly mobile, *Jack and the Beanstalk*, at the Birmingham Hippodrome, with agricultural advice from Norman Painting, aka Phil Archer. Lorraine Chase's Aladdin, Jeffrey Holland (*Hi-de-Hi*) and Gillian Taylforth (*Eastenders*) grace the Ashcroft, Croydon; and TV's Boon, Michael Elphick, takes the stage for Guildford's *Aladdin* at the Yvonne Arnaud with Michaela Strachan from TV-AM's *Wide-Awake Club*, to the Widow Twankey of Bernard Cribbins – and Mike Yarwood doubtless as everything else.

This glittering line-up is sponsored by Cadbury's Fudge. The same company's Curly-Wurly gives us the Brummie *Beanstalk*; and Cadbury's Buttons underpin Croydon's *Aladdin* - surely it should have been *Cinderella*?

Television glamour is not confined to the big national houses. Climbing Jack's Beanstalk at the Beck in Hayes, we find Charlie Drake's Simple Simon, Sally Thomsett, Lynda Baron and Jack Smethurst. Ted Rogers is at Brighton's Theatre Royal (*Cinderella*), Alvin Stardust at Oxford (*Jack and the Beanstalk* at the Apollo) while the light blues riposte with Marti Caine in *Snow White* at the Cambridge Arts. (Talking of which, Dana pipes her way through the hoary touring production – at the Liverpool Empire – for the umpteenth year running.) Norman Wisdom and Linda Lusardi are in *Cinderella* at the Dartford Orchard. Barbara Windsor and Nicholas Parsons will learn how bitter it is to act with a rat when they are joined by Roland of that ilk for *Babes in the Wood* at Bromley. This is another theme currently out of favour – Harlow and Newcastle present the only other versions I can find – presumably because of R. Hood's subversive doctrine of robbing the rich to give to the poor, in direct contradiction of accepted wisdom.

TV impressionist Faith Brown is at Epsom (*Cinderella*), Stan Boardman at Southport (*Aladdin*). Les Dennis defends the babes in a Geordie wood at Newcastle's Royal; Danny La Rue rubs whatever a man's gotta rub in *Aladdin* at the Blackpool Grand; Stephanie Lawrence goes to Cinders' ball at Southsea; and the Grumbleweeds have two cracks at *Dick Whittington*: at the Civic, Darlington, until Feb 4, then cheering February fill-dyke in Leeds at the Grand.

Pantomime has assimilated television, not vice-versa, and is blooming as strongly and coarsely as ever. It claims its whack of commercial sponsorship, too. Royal London Insurance proudly points the achievements of yesterday's City whizzkid in *Dick Whittington* at Colchester, and the Prudential supports *The Pied Piper* at the Orchard, Barnstaple, a curiously ambiguous tale, I would have thought. McCain Foods are on to a good thing at Scarborough with *Mr A's Amazing Maze Plays*: a new children's play by the most amazing Mr A of them all, the unstoppable (but who would want to?) Alan Ayckbourn at the Stephen Joseph Theatre in the Round. This shares the holiday season with Stephan Mallatratt's adaptation of *The Turn of the Screw*, directed by AA's second in command, Robin Herford.

Yes, the season has its crop of literary *hommages*. Lewis Carroll's Alice wanders and wonders at the Bloomsbury and the Birmingham Rep – here with Joan Turner and a Guy Burgess who plays not a mole but the White Rabbit. *A Christmas Carol* thaws the Scrooges at both Belfast's Lyric and London's Young Vic. The latter adaptation is by David Holman whose beautiful children's plays have been much praised in these pages among others. The Bristol Old Vic gives us *The Happy Prince* and *The Three Musketeers*, the Dumas adapted by David Pownall and graced by heart-throb *Jason Connery* and *Sian* (*Howard's Way*) Howard – and described as "the perfect antidote to panto" which crass remark will keep me away, for one.

Manchester's Contact Theatre mounts *Stig of the Dump*, fast becoming a classic. Leicester interlards its *Guys and Dolls* with *The Bells*, immortalised by Henry Irving and a collector's piece, and Raymond Briggs' *Snowman*, the play of the film of the book, another recent starter in the classic stakes. Down in London (and there's nothing like a pantomime survey to remind one of how the regions joyously hit back at supposed metropolitan pre-eminence) the Westminster presents its annual C.S. Lewis season: *The Magician's Nephew* takes us through the holiday period proper, the much-loved *Lion, the Witch and the Wardrobe* opens on Jan 11. Potentially the most interesting adaptation comes from Southampton's Nuffield Theatre with Arthur Ransome's *Swallows and Amazons* dramatised by Denise Deegan of *Hooray for Daisy* fame.

There are of course children's plays *per se*. Established favourites include David Wood's *Gingerbread Man*, this year at Leeds Playhouse (with choreography by Peta Lily who turns up at the ICA for a handful of post-Yule performances of *Wendy Darling*, an unconventional gloss on P.Pan's mum-surrogate). *King Rollo's Stolen Christmas* makes a good excuse for visiting the Water Mill at Bagnor, near Newbury. Writer Rony Robinson, a specialist in the *genre*, comes up with another *Aladdin* for the New Victoria, Stoke-on-Trent. Christopher Lillicrap, a popular presenter from children's TV, is the author of *Christmas Cat and the Pudding Pirates* at the Swan, Worcester. The Lyric Hammersmith has a visitation from Sylvester McCoy, the current Dr Who, in the *Zoo of Tranquillity*. BBC radio's admirable Nigel Forde has written *Beauty and the Beast*, something of a scoop for London's indefatigable Polka Theatre, while the Unicorn Theatre presents *Meg and Mog* for younger theatregoers. The Royalty Theatre presents *Postman Pat's Adventures* for his numerous fans. The Fortune, on the edge of Covent Garden and over-priced shopping, obliges with both *Bertie Badger's Christmas Adventure* and *The Enchanted Toyshop* - not to be confused with Angela Carter's *Magic Toyshop*. On any account.

Shows with more than usual consideration for younger audiences include Derby Playhouse's *Hansel and Gretel* by Mike Kenny, last year's lovable and gallant Straw Man in Derby's Oz who clowned through the pain of a broken collar-bone. Oz itself is recreated at Newcastle's Tyne Theatre and Opera House in a production from Plymouth. Hans Andersen's *Snow Queen* chills both the Redgrave, Farnham, and the Lyceum, Edinburgh, where British Mail Parcels sponsor a production doubtless distinguished by the music of Savourna Stevenson whose evocative harp added so much to the Lyceum's *Mary Rose*.

There are alternatives, of course. The London Palladium celebrates the birth of Christ with *'Allo 'Allo*. The Liverpool Playhouse is fractionally more appropriate with *Camelot*. James Warwick and Briony Glassco star, with choreography by Gillian Gregory. Manchester maintains its reputation as the most consistently stylish British outpost of the Broadway musical with *Hello, Dolly!* in which Dora Bryan recreates the role she first played at Drury Lane. An older tradition is revived with the joint Cottle/Austen Circus playing two venues, Battersea Park and the Wembley Big Top. And, for something completely different, Brentford's Watermans Arms Arts Centre spans the generations with both Peter Petroff's magic show and *Club Monkey*, which promises to be a breathless oriental phantasagoria with the outrageous Japanese female comics Frank Chickens and ex-Circus Oz performer Judy Pascoe.

The West End's main offering this year is a stellar *Cinderella* with cockney Jim Davidson. The obverse of lush commercialism has traditionally been the raucously irreverent local or fringe festivity. Overtly "alternative" pantomime seems another casualty of the times, though the *Hansel and Gretel* at south London's Latchmere looks promising. The Hackney Empire produces its first panto for 33 years, a cue for demotic fun with *Blue Peter*'s Peter Duncan, Ben Warriss and another TV Eastender. Stratford East has a healthy tradition of independence in such matters. Their *Dick Whittington* even boasts Mouchette Van Helsdingen, "a young Dutch actress" who sounds more like a send-up out of *Dracula* to me.

But, in keeping with recent history, North Britain offers the most abrasive entertainment. Borderline Theatre is mounting no less than two shows: at the Magnum Theatre, Irvine, *Lucy and the Christmas Treasure* shows off the hilarious Alexander Sisters whose acerbic comment takes in cosy clichés of Scottishness; at the Kilmarnock Palace, *Peter and Penny's Panto*, with a clutch of *Taggart* actors, reveals how the "good Govan fairy" rescues Merlin from a motheaten third-rate magician. Political comment, too, I suspect, from the Glasgow-based Wildcat company's *Magic Snowball* and Liverpool Everyman's *Cinderella and her Rockin' Fella*; irreverence from Viv Stanshall's *Stinkfoot Cometh* at the Bloomsbury, *Frankie MacStein – the Panto* at the Brunton, Musselburgh, and the Edinburgh-based award-winning ensemble Communicado's *A Bicycle to the Moon*.

Media stars, literary adaptations, touring productions created with an eye to annual airings round the country . . . But the backbone of the panto is still the local production with the company of actors at hand and a specifically hometown audience in mind. Chester Gateway's *Cinderella* has a local radio Buttons. The Glasgow Citizens *Pinocchio* is written by Myles Rudge, a wily old hand at such things. That institution among Dames, Berwick Kaler, gives his Old Mother Hubbard in York's *Humpty Dumpty*. Northampton's Royal sends Cinders to the ball, Bury St Edmunds, Lancaster and Cheltenham rub Aladdin's lamp, all with goodwill and community feeling in place of stars. And the Belgrade, Coventry, presents Keith Drinkel as Dame in a *Dick Whittington* written and directed by Ian Watt-Smith.

Russ Abbot in Jack and the Beanstalk at the Birmingham Hippodrome

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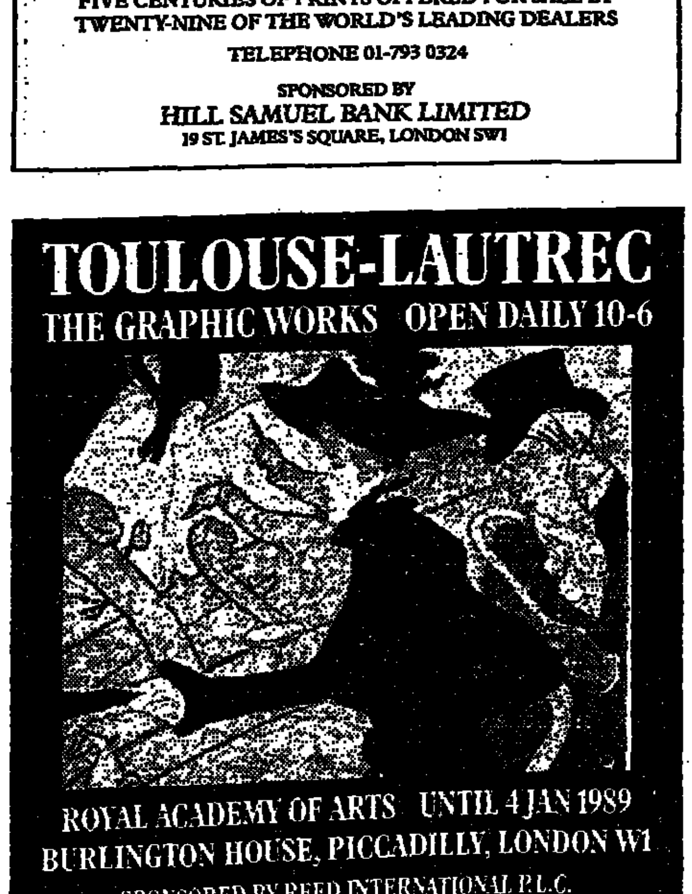


SPORT

December: a month of resignation

***Teresa McLean** on her own, very personal, cricket calendar*

IF YOU are going to resign as chairman of England's cricket selectors, November is the month to do it. A dark, dank, cold and thankless month, like the job, with summer a tepid memory full of defeats and winter a bleak new season – this year with no hope of any Test cricket, let alone victory.

The worst of it is that now Peter May has given up the torture, he has the whole winter, with only a brief burst of one-day *distractions* in New Zealand, to wonder whether he has been torturing English Test cricket as much as English Test cricket has been torturing him.

To that we can add all the inflammatory problems he has been facing: the other three selectors and their differences of opinion; the desperately difficult position of Micky Stewart as team manager, trying to represent both players and selectors; public opinion, insatiably critical of both players and selectors; the media, referred to by May, to my chagrin, as "you chaps in the media"; the Gatting trouble; personality problems among the Test players; and the pressures put on the family and business life of an unpaid selector.

The only surprise is that May stuck it so long. Perhaps he could not face the prospect of spending an entire winter brooding without acting on these problems, and perhaps there was a touch of the public school instinct that if it hurts, it must be right.

The question it leaves open for us to solve is where English cricket should go from here? But before we hurl ourselves into that quicksand, it would be as well to bear in mind that December is traditionally an evil month for cricket management.

May was right when he said, effusive as ever: "Now is the right time for a change." He was wise to say it in November, when cricket's winter troubles are still working up to their December peak like festering spots. December is not a playing month in England; it is a problem month.

To take just one from a host of examples – in 1977, when Kerry Packer locked himself in mortal conflict with all those, myself included, who regard cricket as a culture and a work of art as well as a sport, it was in November that he won his victory over the cricket authorities in the High Court in London.

But it was in December that the first World Series Super Test was played in Australia, complete with floodlights, white balls and girls giving drinks to players in pink, yellow or whatever revolting colour their team had chosen to wear to make the crowd suffer. World Series cricket was one of many cricket nightmares that got itself firmly established in December.

But even such spectacular beginnings cannot compare with blossomings where management mistakes are concerned. The real fun always comes in spring. A quick look at any of the articles about May's resignation will show how much hope is attached to the magic month of March, when the Test and County Cricket Board has its spring meeting.

Leaves unfurling, grass growing greener as the new season approaches – March is the obvious time for some really worthwhile trouble. When May resigned just over a week ago, the chairman of the TCCB, who rejoices in the name of Smith, came out with a classic official statement highlighting the horrors to be expected from various of the non-playing months of cricket administration.

He said he expected May's resignation, its causes and results and any great events attendant on it, to be discussed at the TCCB's winter meeting on December 8. So far so good: right on course. But Smith was in an expansive mood and slipped in another month for good measure.

He would not be surprised "if the Board decide to select a new chairman by the end of January, and then follow on (a nice cricket pun, I bet he was pleased with that) by selecting the other members . . . at the traditional time during our spring meeting."

In more vigorous days, January did not consider itself a mere stopping-point or optional addition in the long saga of cricket's winter discussions, post mortems and propositions.

There was always room for a good second class disaster in January. Occasionally even for a first class one. It was customary for English patriots to arrive at Twickenham for the England v Wales rugby match early and defrost their extremities by talking about cricket, huddled together in little cricketing cliques. In 1933, they had the first intimations of a serious international crisis, Bodyline, to keep them warm.

But March puts everything in the shade. In March the weather edges towards encouraging new ideas; then, just as they start to flourish, it gets cold and wet again, encouraging caution. Perfect. The essence of cricket. And of the mysterious workings of the county committee that nominates candidates to be selectors, the mysterious workings of the TCCB that chooses the selectors and, most of all, the completely impenetrable workings of the selectors themselves. May and his associates selected just like mad March hares this summer: five Test matches, four English captains and 28 capped English players.

It would be tedious to start listing examples of the lunacy that always seems to infiltrate the remoter reaches of cricket's civil service in March. They are too many. Suffice it to say that March's impact on the game always has been and, I hope, always will be substantial and unpredictable. Given the present state of English Test cricket and of morale among its organisers, we would do well to view that as a cause for hoping against hope and looking forward to the TCCB's March pronouncements.

After all, it was March that inspired *The Times* to produce this extraordinary sentence in a leading article about cricket a quarter of a century ago: "Even when the Australians were rolling us in the dust, there was always comfort in the thought that at least we did things in our own and therefore the superior way." You can't beat spring fever.

Going, going: Peter May (left) pondering the short-lived appointment of his godson, Chris Cowdrey (foreground), as England captain against the West Indies last summer

Varsity rugby heads back to the peaks

John Kitching on Tuesday's big game at Twickenham

WATCH OUT for empty desks in your office on Tuesday, and for last-minute requests to attend the funeral of a long-lost aunt. The reason for the high number of absentees could well be the 107th varsity rugby match between Oxford and Cambridge at Twickenham. A record post-war crowd of well over 50,000 is expected and most will be there chiefly because, this year, the game has a rare attraction: both teams are very good indeed.

Tony Rodgers, the Cambridge coach and an old Blue, has said he thinks his squad is the best for perhaps 20 years. With victories over Bridgend, Cardiff, Rosslyn Park and Northampton, and a very narrow defeat at the hands of Leicester, this certainly is a vintage Cambridge side. These are not freak results. I saw the Cardiff and Leicester games and the university were well worth all the standing ovations from a generous, if partisan, Grange Road crowd.

Spirits at Iffley Road, Oxford, are equally high. They, too, have beaten Cardiff – the first time both universities have beaten the Welsh side since 1958. As so often, Oxford have a large number of overseas players in the side. Cambridge seem to have a large number of Welshmen. There was joke that at one Cambridge college in the 1950s you could walk into First Court, shout "Dai," and all the sash windows would shoot up. The Welsh now seem to be concentrated at Magdalene (although their one full Welsh international, Mike Hall, is at Wolfson). One interesting statistic is that nine of the Cambridge XV are reading land economy.

Oxford are even more star-studded than usual. The side includes David Kirk, the All Black World Cup scrum-half, and three Australian internationals: fly-half Brian Smith, wing Ian Williams and, in the scrum, the huge Australian forward Troy Coker, now at Lady Margaret Hall. It is a very experienced Oxford side although, in the tension of the varsity match, experience has been known to count for little.

For the 13th year the game is being sponsored by C. T. Bowring, the insurance broker, which puts up £15,000 for each club. Over the years, the money has been used to install floodlights, improve the clubhouses and fund early-season tours overseas. This year, for instance, Oxford made a successful trip to Japan.

This has been a strange year for the universities because the advent of the English league rugby system has meant club sides playing each other on fixed Saturdays throughout the season. As the universities are not in the leagues (because of holiday commitments) there was a degree of panic that top fixtures would be lost. But then, in stepped the Welsh clubs, who do not (yet) have a league system. Cambridge will have played four top sides from the principality by Christmas, and the games have been tremendous crowd-pullers.

Varsity rugby looks as if it is returning to the peaks of the post-Second World War years when the colleges were filled with ex-national servicemen, many already with international experience. It was not unusual, as David Frost recalls in an interesting, informative and anecdotal new book*, for British Lions' selectors to attend *college* cup-finals in those heady days. Then, in the 1960s and 1970s, came concern over falling standards in the varsity match: the dwindling number of spectators told their own story. By 1973 the crowd, which had reached 59,900 in 1949, had slumped to 23,000.

Many fans were quick to blame changed university admissions procedures for the falling standards. Gone were the days when you could spend three years reading for a rugby blue. Early in the 1970s, I remember a rhyme about a "2:2 and a blue" being all you needed for a good job. Well, times have changed: a blue is no longer a passport to a good job and being a good player is no longer a passport to the universities.

However, it is perhaps worth telling the story (recalled in Frost's book) of the Scottish fly-half who turned up for interview at a Cambridge college in the 1960s. After a few simple questions, the senior tutor tossed him a rugby ball; the fly-half caught it expertly and, in one movement, drop-kicked it left-footed into the waste-paper basket. The senior tutor raced up and flung his arms around him: "Ah, an honours student, I see."

What, though, has driven the 30 young men who will appear at Twickenham on Tuesday to train seven days a week and play fixtures against some of the hardest and most experienced teams in the country? Mark, Hancock, Cambridge's captain, told me: "The Varsity match is just about the most competitive game you can hope to play in. You're at a peak of fitness and the game is very intense." Mike Hall added: "I've played in more physical games but there is a special intensity about this one."

The essence of the game is perhaps best captured by the distinguished ex-Cambridge and Wales forward, Clem Thomas, who said of his own varsity appearance in 1949: "When you get on to the pitch, you want to beat Oxford more than anything else in the world – everything else pales into insignificance. That whole term, that whole year, had been geared towards this one match; and when you get out there you're at peak fitness. . . It was quite different to any other game I had played in.

"The general level of skills was not perhaps as high as in international matches but the pace and ferocity would equal that of any international . . In later years, when one plays in internationals, one is far more composed and aware of what is going on, but the varsity match is such a blur."

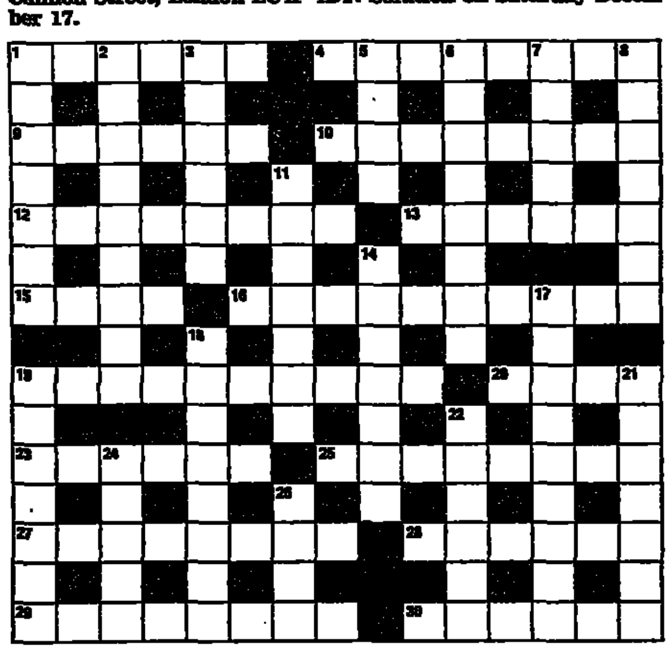
Those words will ring true for Tuesday's captains: Hancock, the Cambridge scrum-half, and Oxford wing-three-quarter Rupert Vessey. With Twickenham packed to the rafters it will, for many of the players, be the most important day of their rugby lives.

**The Bowring Story of the Varsity Match, by David Frost, Macdonald Queen Anne Press, £12.95.*

CROSSWORD

No. 6,802 Set by CINEPHILE

Prizes of £10 each for the first five correct solutions opened. Solutions to be received by Wednesday December 14, marked Crossword 6,802 on the envelope, to the Financial Times, 10 Cannon Street, London EC4P 4BY. Solution on Saturday December 17.



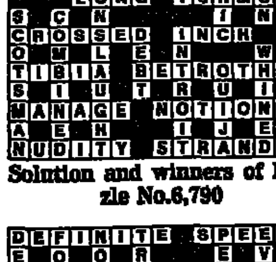
ACROSS

1 Sugar under the chair, maybe (6)
4 Veteran, not digital presumably (3-5)
9 Game over the water, maybe (6)
10 Pet, awfully salty, is cause of change (8)
12, 17, 26 Robin Hood's novel situation (5,3,9,4)
13 At junction what's wrong is fear (6)
15 Rescue bar (4)
16 A turn with a turn of a seaweed that is burned (7,3)
19, 21, 24 Fodder can dim farm growth, possibly, in novel situation (3,4,3,7,5)
20 The light side? (4)
23 South Americans taking English as a precaution (2,4)
25 Turn close to Edward for one sort of income (8)
27 Indicator of place in volume by evangelist (8)
28 It turns to first volume in Italy (6)
29 Jeopardise conclusion by ill-feeling (8)
30 Veteran with bark? (3,3)

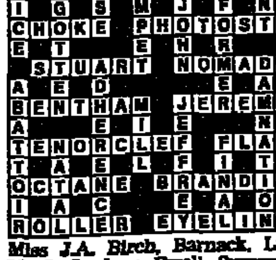
DOWN

1 Hazel has a lump of coal and some more (7)
2 Shirker without independence doesn't rely on his lungs (4-5)
3 Moths, for example, Pyrenean department (6)
5 Bread used as brains? (4)
6 Great pad constructed between imports and exports (5,3)
7 Tree of gold in town hall (novel if of 1 across 9) (5)
8 Profit in the matter of entertainment (novel 22 does) (7)
11 Intersection of nerves, one in big hole first (7)
14 Self-assertive dog swallowing bone (7)
17 Part of golf course and club – it won't burn very well (9)
18 Journalist doing the ironing? (8)
19 Capable of being broken up and cooked? (7)
21 A thousand and increasing, like a red rag to a bull? (7)
22 Aboriginal, artless about model (6)
24 Bird with half a thousand, which is a lot (5)
26 Genealogy of an actor (4)

Solution to Puzzle No.6,801



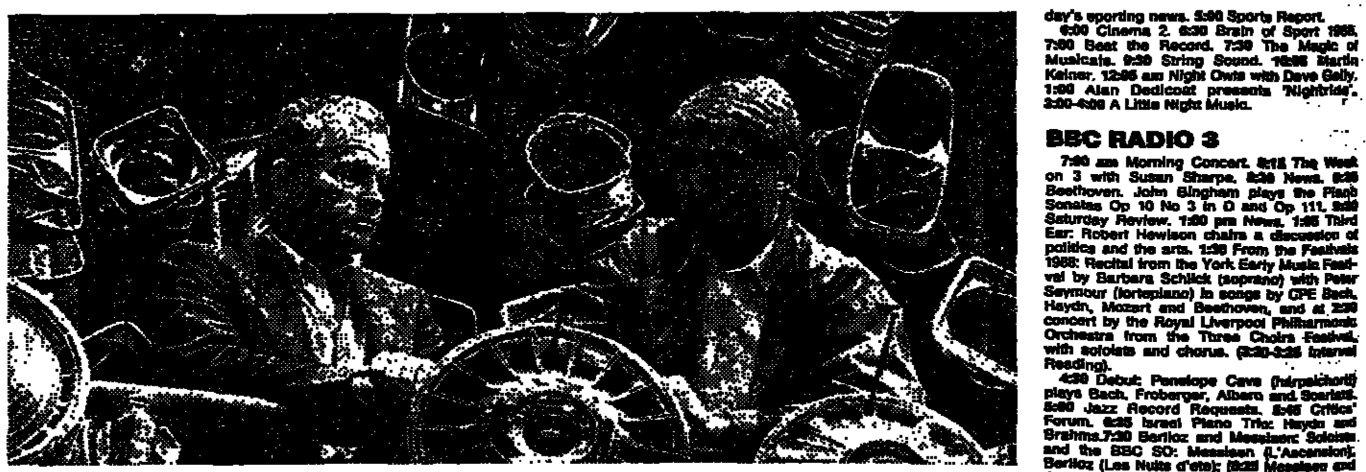
Solution and winners of Puzzle No.6,790



Miss J.A. Birch, Barnack, Lincs; Mr J. Gardner, Ewell, Surrey; Mr G.K. Jones, Lancing, Sussex; Mr J.R.P. McNamara, Cuckfield, Sussex; Mr S. Williams, Castle Bromwich, W. Midlands.

TELEVISION & RADIO

SATURDAY



Ian Holm (left) and Gottfried John in Game, Set and Match, C4, tonight, 8.05 pm

SUNDAY